Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100		
Bahrain	Din0.650	Israel	NS3.50	S.Arabia	Rs6.00		
Belgium	BFr48	Italy	L1600	Singapore	S$4.10		
Canada	C$1.00	Japan	Y600	Spain	Pta125		
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30		
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr8.00		
Egypt	E£2.25	Lebanon	$1.50.00	Switzerland	SFr2.20		
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$65		
France	FFr8.50	Malaysia	Rs4.25	Thailand	Bt50		
Germany	DM2.20	Mexico	Peso300	Tunisia	Din0.800		
Greece	Dr100	Morocco	Dh6.00	Turkey	L500		
Hong Kong	HK$12	Netherlands	Fl3.00	U.A.E	Dh6.50		
India	Rup15	Norway	NKr7.00	U.S.A	$1.00		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,283 — Monday July 13 1987 — D 8523 A

Pentagon Inc: penetrating the thicket, Page 14

World News

Newspaper in UK court over spy memoirs

The Sunday Times newspaper faces criminal contempt of court proceedings by Britain's Attorney General Sir Patrick Mayhew in the London High Court today over an article about former Secret Service spycatcher Peter Wright.

The paper yesterday published what it claimed were extracts from Wright's memoirs, which the Government has prevented from being published in Britain.

Sir Patrick is acting on his own behalf, not that of the British Government. Page 16

Tamils in Canada

A group of refugees, believed to be 157 Tamils, landed in southern Nova Scotia on Canada's Atlantic coast, eluding police who had been hunting for the ship that landed them.

IRA murder in Ulster

The Irish Republican Army claimed responsibility for shooting a man dead on the eve of major Protestant rallies marking 17th century victories over the Catholics.

Priests' hunger strike

Twenty two South Korean clergymen completed the second day of a hunger strike in Seoul's Anglican cathedral in protest against police storming the building last week to remove anti-Government protestors.Government reshuffle likely, Page 4

S. African unrest

A threat of major unrest in South Africa loomed after union officials said that about 80,000 metalworkers had voted overwhelmingly in favour of a strike. Page 4

Philippines deaths

At least 59 people were believed drowned when an inter-island ferry split in two and sank in heavy seas in the central Philippines.

Tension in Panama

There was tension in Panama following two days of protests calling for the ousting of Panama's military chief and ruler, General Manuel Antonio Noriega.

Politicians injured

Three senior Bangladeshi politicans taking part in a protest march during a 24 hour general strike were injured when they were attacked by riot police

EC farm talks

European Community agriculture ministers meet in Luxembourg today to study an emergency scheme to raise extra money for farm subsidies.

Stay at home Turks

The 51m population of Turkey was forced by law to stay home while officials went from door to door drawing up a new electoral roll before a referendum scheduled for September 6.

Terrorist hunted

A Basque separatist leader suspected of planning a terrorist attack on the Tour de France cycling race was being hunted by French police

Nazi defence feud

The Israeli court trying alleged Nazi war criminal John Demjanjuk will hold a special session on Wednesday after the apparent dismissal of his chief counsel.

Power plant contest

The marathon contest between international consortia bidding to build coal-fired power plants in Turkey on a franchise basis now looks likely to drag on until at least the end of August. Page 4

Win for Mansell

Britain's Nigel Mansell won the British Grand Prix from Williams teammate, Brazilian Nelson Piquet, after overtaking him on the third lap from home.

Business Summary

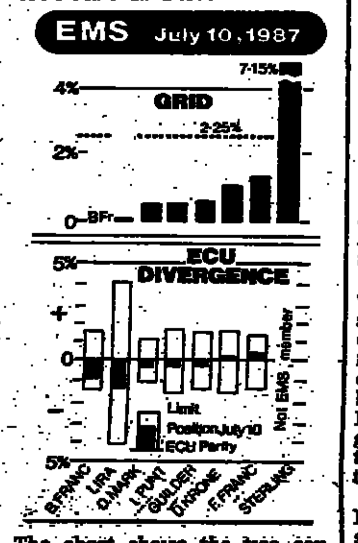
Brazil plans new 5-year economic strategy

BRAZILIAN Government is studying a new economic plan setting specific targets for the country's growth, public sector deficit, trade surpluses and investments over the coming five years.

The so-called Macroeconomic Control Plan, drawn up after lengthy consultations by Finance Minister Mr Luiz Carlos Bresser Pereira, is intended to form the basis for the country's negotiations with foreign creditors on the rescheduling of its $113bn debt.Page 14

EUROPEAN Monetary System: EMS currencies traded quietly for most of the week. The dollar finished stronger against the D-Mark and the subdued nature of the market allowed the Belgian central bank to make a further modest reduction in short-term Treasury bill rates. Most currencies finished a little lower than last week in relation to their central rates, partly a reflection of sterling's stronger performance.

Although the pound does not participate in the exchange rate mechanism, it is used to calculate Ecu values and its performance has an influence on full member currencies.



The chart shows the two constraints on European Monetray System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (Ecu).

EUROPEAN Community agriculture ministers will today consider plans to bridge Ecu 4.3 bn ($4.8 bn) gap between farm spending commitments and current year revenues.Page 2

BELGIAN government has approved scheme for the private control of Brussels international airport through a new company to be floated on the stock exchange.Page 19

PETRO-CANADA,Canadian national oil company, will be privatisedthrough a general share offer to the public although it has not yet been decided whether to make the offer available to foreign investors.Page 19

GOLDER THOMA & Cressey, private US venture capital fund manager, plans to raise $50m of a new $150m to $200m fund in London and other financial markets outside the US.Page 19

SOLTAM,leading Israeli manufacturer of field artillery and ordnance, is to close temporarily from this week.Page 17

ALCOA, world's largest aluminium will take a second-quarter after tax charge of $165.7m, the bulk of which relates to the closure of refining plant over the next two years.Page 17

ELI LILLY, US pharmaceuticals group which last week offered compensation to some UK sufferers from effects of its Opren anti-arthritis drug, boosted interim net earnings 19.1 per cent to $355.5m, or $2.42 per share compared with $2.07.Page 19

FEE income of top UK accountancy firms surged by average 25 per cent during past year, according to a Financial Times survey.Page 8

Fear of attacks in Gulf threatens to put up oil prices

BY LUCY KELLAWAY IN LONDON

OIL MARKETS are set for a critical week as the first Kuwaiti tankers under American flags are expected to pass through the Gulf.

Anxiety over rising tension in the region last week pushed up oil prices by about 60 cents to their highest levels since January last year, with West Texas Intermediate crude on Friday trading as high as $21.31 a barrel. Traders are worried that any attempt by Iran to attack the Kuwaiti tankers could send oil prices up by several dollars a barrel.

According to Mr Mehdi Varzi, oil analyst at Kleinwort Grieveson: "There is a substantial risk of an incident directly involving the US and Iran - and that could have a very large impact on the price of oil".

However, others said that the market was overreacting to the danger of conflict in the Gulf, which according to some has pushed oil prices up by more than $1 compared to levels justified by the present balance between oil demand and supply.

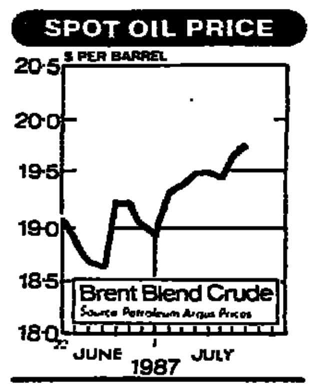
Oil markets in London and New York have diverged in their relative assessments of the risk of an attack. Over the last two weeks the rise of West Texas Intermediate has outstripped that of Brent crude oil in London, with the gap between them standing on Friday at about $1.60 a barrel. This compares to a more usual difference of less than $1.

Mr Charles Maxwell of Cyrus J Lawrence said that there were other reasons for prices to remain strong in the immediate future. Oil companies in the US and in Western Europe were building up stocks heavily following a sharp rundown earlier this year, he said.

Traders noted prices were also being supported in the aftermath to the successful meeting of the Organisation of Petroleum Exporting Countries a fortnight ago, in which quotas for the fourth quarter of the year were cut from 18.3m barrels a day to 16.6m barrels.

The rise in spot oil prices since the meeting has pushed the average price of Opec oils to $18.50 or $19 compared to an official price of $18. This had caused speculation in the market that Opec members might meet before the agreed session in December to raise the official price to $20 for the fourth quarter.

Some analysts argued, however, that the price rise would put members under increasing pressure to exceed their production ceilings. The extent of cheating by Opec is thought to be increasing, with production estimated at 17.4m barrels a day, compared to a ceiling of 15.8m b/d. Current output is thought to be about 17.6m b/d.



Poindexter testimony brings new worries for Reagan

By Stewart Fleming and Lionel Barber in Washington

THE US Congressional hearings into the Iran/Contra scandal resume today with the White House worried that new revelations from key witnesses could further damage President Ronald Reagan and the investigators themselves anxious to regain the initiative lost last week by the spellbinding testimony of Lt Col Oliver North.

Col North has succeeded in shifting responsibility on to his superiors, in particular Rear Admiral John Poindexter, President Reagan's former National Security Adviser, who will take the witness stand as early as tomorrow and who had the closest day-to-day contact with the President while the covert operations were being planned.

Admiral Poindexter, who was forced to resign last November when it emerged that millions of dollars of profits from the secret US arms sales to Iran had been used to arm the Contra rebels in Nicaragua during a congressional ban on military aid, is seen to be the top official best placed to support or contradict the President's assertion that he knew nothing of the allegedly illegal diversion.

Col North's story about how he was the designated 'fall guy' for the Administration aroused enormous public sympathy, but polls suggest that this sympathy does not extend to support either for the Nicaraguan Contra aid policy - a top presidential priority - or to Mr Reagan himself. A New York Times/CBS poll taken last Thursday showed that most Americans still believe the President is lying about his ignorance of the affair and that Col North was acting under orders from above.

The poll also suggests that the public is differentiating between their emotive support for Col North and their judgments about what he did. They also continue to back the hearings themselves, which to President Reagan's chagrin are attracting huge television audiences.

Today the 26-strong joint House-Senate panel will try to refocus public attention on the fundamental issues raised by Col. North's revelations.

Col North disclosed that the late Mr William Casey, head of the Central Intelligence Agency, authorised the creation of a slush fund, generated from the Iran arms deal profits, which was to be used for covert operations around the world without the knowledge of Congress and without asking Congress for funds as required under the constitution.

Senator William Cohen, the

Continued on Page 16

Airbus group under more pressure to co-operate in US

BY DAVID MARSH IN BONN

THE EUROPEAN Airbus airliner manufacturing group is coming under increasing pressure from the West German Government to agree co-operation with McDonnell Douglas of the US to help head off threatened American protectionism in the international airliner business.

Representatives of Airbus Industrie, the four-nation consortium backed by aerospace companies and governments in France, West Germany, Britain and Spain, have restarted exploratory talks with McDonnell Douglas during the last month, according to officials close to Airbus in both West Germany and France.

The two sides are still a long way from agreement on any possible joint ventures, but the latest talks represent a significant new twist in a complex saga of contacts over the past 18 months between Airbus and McDonnell Douglas, which are both struggling a long way behind Boeing, the world's dominant manufacturer.

The West German Economics Ministry, which is formally responsible for West German participation in the Airbus programme, has grown increasingly concerned both about the rising cost of Airbus subsidies and about intensifying anti-Airbus sentiment in the US.

Both problems could be made less acute, the Economics Ministry believes, through some form of link-up with McDonnell Douglas, including the possibility of joint production in the US.

Talks between the US and the Europeans under the auspicies of the General Agreement on Tariffs and Trade (Gatt) have failed to defuse US allegations of unfair subsidies for Airbus.

Amid the general build-up of protectionist pressure in the US Congress, Bonn is taking seriously threats that countervailing duties could be introduced against Airbus aircraft exported to the US. This would hit particularly the Airbus order with Northwest Airlines last October for up to $3bn, the group's main success in trying to build up its US market share.

Bonn is taking the lead in a bid to persuade Mr Jean Pierson, the Airbus Industrie president, to decide an agreement with Douglas Aircraft, the civil aviation arm of McDonnell Douglas.

This reflects a general move by the French, West German and British Governments, the main paymasters for the Airbus venture, to try to win more control over the strategic decisions of Airbus Industrie. Britain came out in favour last year of a tie-up with Douglas.

One possibility under discussion is for joint work on a stretched version of the narrow-body Airbus A320. This could carry up to 180 passengers and be available between 1992 and 1995 - although the plans clash with McDonnell Douglas' present intention of building its own 180-seater by this date.

Significantly, the latest efforts to bring together the two groups are said to have the support of Mr Franz Josef Strauss, the Bavarian Prime Minister and head of the Airbus supervisory board. Mr Strauss' vigorous lobbying in favour of state subsidies for Airbus has elsewhere provoked differences with the Economics Ministry, which together with the Finance Ministry is trying to get industry to shoulder more of the costs of the programme.

Earlier talks between Airbus and Douglas on pooling efforts against Boeing were broken off in September last year. Neither group was willing to give up its project for building new long-range airliners for the 1990s, the A340 and MD11 respectively, which are now going ahead as competing projects.

R-R planning new big-thrust engine

Rolls-Royce, Britain's recently privatised aero-engine manufacturer, is close to going ahead with developing a new version of its big-thrust engine in competition with its US rivals General Electric and Pratt & Whitney, writes Michael Donne in London.

Development cost of the new version of the RB-211, called Dash 700, has not been announced but is unlikely to be less than £100 ($160m) and possibly considerably more. British Airways is one potential early customer for such an engine. The airline is considering it as a possible engine for any McDonnell Douglas MD-11 long-range tri-jets it may buy to replace its ageing long-range Lockheed TriStar fleet.

General Electric and Pratt & Whitney are already offering engines for similar aircraft types. Page 8

Historic Hawke victory leaves rivals divided

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S new Labor government, elected on Saturday to an historic third successive term, will include fresh faces in its ministerial ranks but will retain its economic team and follow the same approach as before, Mr Bob Hawke, the Prime Minister, said yesterday.

Counting of votes was continuing last night, but it was clear that Labor would increase its previous majority of 16 in the 148-seat House of Representatives, perhaps to above 20. The minority Democrat party, with an estimated six Senate seats, was certain to hold the balance of power in the 76-seat upper house.

Broadly speaking, Labor lost ground in all States except Queensland, but did better than the opposition in defending its marginal seats - where, traditionally, all Australian elections are decided.

The outcome quickly provoked bitter recriminations in the opposition Liberal and National parties, with blame for the defeat falling principally on Sir Joh Bjelke-Petersen, the maverick National Party premier of Queensland who earlier this year split the opposition by trying to take it over.

The result also prompted immediate speculation about the future leadership of both parties. Mr John Howard said he would fight to retain the Liberal leadership, but is virtually certain to be challenged, probably by Mr Andrew Peacock, the man he replaced in 1985.

Mr Ian Sinclair, whose leadership of the National Party federally has long been under threat from Sir Joh, pointed to the Queensland Nationals' poor performance against Labor and challenged them to rejoin the fold.

The opposition's failure reflected its internal disunity and organisational unpreparedness for a snap poll, but also public doubts about the credibility of its hastily completed supply-side programme of hefty government spending cuts to fund attractive tax reductions.

Labor's win lent support to its claim to have the policies to deal with Australia's economic difficulties and the team to implement them. Throughout the campaign, it enjoined voters not to "change horses in midstream".

Mr Hawke's spectacular personal achievement is not only to have led Labor three times in succession to electoral victory - something the party has never managed before - but to do so at a time of an injurious economic downturn.

Next month, after 4½ years in the job, he will become the longest-serving Labor party leader since the legendary Ben Chifley. Though others would like to be Prime Minister, he plainly relishes it enormously and says he is ready to lead Labor for the whole of its new term.

In appointing a new cabinet, he will have to take into account the views of Labor's parliamentary caucus and ensure balanced representation between the party's clearly defined right, left and centre-left factions.

At least three cabinet ministers are stepping down and up to three more seem likely to lose their jobs. This will result in the first significant cabinet changes since Labor came to power in 1983.

Sir Joh blamed, Page 3
Editorial comment, Page 14

London establishes futures contract in Japanese bonds

BY ALEXANDER NICOLL IN LONDON

THE London International Financial Futures Exchange today launches a futures contract based on Japanese government bonds, marking an important step in the internationalisation of Japanese financial markets.

The move is part of a drive by Liffe to develop its international business. The exchange has become dominated by UK government bond contracts, which have shown huge increases in trading volume with the advent of last year's Big Bang reforms of UK securities markets.

Liffe will become the first futures exchange to trade contracts based on all three of the world's most important government bonds: US, Japanese and British.

The new instrument underlines the growth of London as the centre in the European time zone for trading of a wide range of government securities, including Japanese bonds, in which an estimated Y500bn ($3.3bn) to Y1,000bn of business is estimated to be done in London each day.

As part of the rapid development of international capital markets, big securities traders are increasingly demanding that active bond markets be backed up in the same time zone by derivative markets such as futures and options so that they can carry out sophisticated trading strategies.

Japanese financial institutions are expected to be the biggest players in Liffe yen bond futures, both as an extension of their heavy speculative activity and as a means to hedge or protect their portfolios against adverse movements in the volatile Tokyo market.

Japanese securities houses and banks have been making quiet but elaborate preparations to trade the new contract. Bank of Tokyo, for example, has assigned a Liffe seat to its capital markets unit and will thus become the first Japanese bank to be able to act as a futures broker - they are barred from doing so in Tokyo.

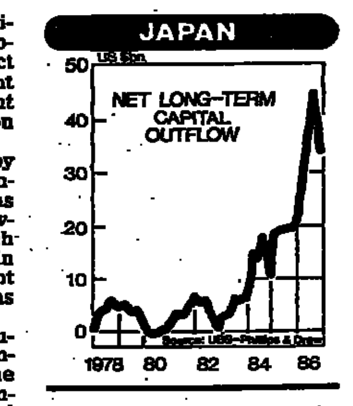
Other Liffe members are also expected to benefit because only some of the Japanese firms will be represented on the Liffe floor and will therefore put their business through other members.

The Liffe contract, which is to be followed eventually by an identical and interchangeable instrument on the Chicago Board of Trade, is very similar to the Tokyo Stock Exchange's futures contract launched in 1985.

This has been a huge success, and quickly became the biggest futures contract in the world measured by the currency value of business done.

Liffe has developed the contract in more than a year of discussions with Tokyo financial institutions, the Tokyo Stock Exchange and the Ministry of Finance, which this year lifted an important barrier by formal-

Continued on Page 16
Zest for Liffe, Page 17



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THE MONDAY PAGE

INTERVIEW

Alan Friedman talks to Raul Gardini, head of Ferruzzi, Page 10

Stalinism still alive in Russia, says writer

A SENIOR Soviet writer and parliamentarian known to have the respect of Kremlin leader Mikhail Gorbachev was yesterday quoted as saying Stalinism had brought tremendous harm to Soviet society and was still alive, Reuter reports from Moscow.

Mr Chinghiz Aitmatov said in an interview with the Soviet weekly, Ogonyok, that public services from housing and health to air transport were in a dismal state and a major ecological disaster was under way in Central Asia.

Despite the advent of "glasnost," or openness, analysts said the interview was one of the most devastating portrayals of the state of the country yet to appear.

They said Mr Aitmatov's views were of special interest because of his association with reformers around Mr Gorbachev and his record as a semi-official figure untainted by political dissidence.

Mr Aitmatov, whose father was executed during Josef Stalin's purges of the 1930s, said many people still do not understand what tremendous harm the Stalin personality cult did to Soviet society.

"We have been too long ensnared by the authoritarian regime created by Stalin, and only now . . . have we begun to free ourselves from being slaves of the personality cult," he said.

"Only today is our society really beginning to overcome the heavy burden left by that dark epoch. And it is at some cost. Because there are still many adherents of the past around today."

Mr Aitmatov said the state airline Aeroflot, criticism of which he said had been taboo for years, could be forced to improve only if a competing domestic airline was set up.

Urban transport now totally failed to cope with demands put on it.

Housing was badly built, with "mistakes and stupidities" introduced at the design stage, made worse by poor workmanship. Apartment blocks were turned into "multi-storey barracks" by their indifferent inhabitants.

Mr Aitmatov said over-intensive cotton growing in Central Asia had caused "a major ecological catastrophe" in the region of the Aral, one of the world's largest inland seas.

Senate poised to complete trade bill

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE US Senate is expected to complete work this week on legislation for a far-reaching reform of US trade laws, but the White House is still warning that President Reagan may veto a bill which has been a top priority of the Democratic Party on Capitol Hill.

The next stage in the congressional debate will be for a conference committee of the Senate and the House of Representatives to work out a compromise version of the proposed law. The house has already approved a trade reform package.

On Friday, with the conference committee clearly in mind, the Senate passed overwhelmingly by a vote of 87—7 a proposal which would require the president to determine whether a US trading partner has "a consistent pattern of trade barriers." If so, the Administration would have to identify the most important barriers and then negotiate with the country concerned to reduce them.

The Senate proposal is seen as a move to provide a more moderate alternative to the controversial Gephardt amendment contained in the recently-passed House bill which was sponsored by Rep Richard Gephardt, one of the Democratic candidates for President. It calls for presidential action to persuade countries with large trade surpluses to reduce them and has been portrayed as one of the most protectionist proposals in the bill.

Under the Senate provision countries such as Japan which might be identified as maintaining a pattern of unfair trade barriers would be given until 1991 to agree to roll back the barriers or face retaliation in the form of tariffs, quotas and demands for compensation.

With the Senate close to completing action on its bill Mr Marlin Fitzwater, the White House spokesman, claimed that in the past week the legislators took a "hard turn in the wrong direction" in their deliberations. The White House has been particularly worried by a provision passed on Thursday calling for companies to give employees and their communities 60 days' notice of mass layoffs involving more than 50 employees or one third of the work force in a 30-day period.

Italian coalition hopes dim

BY ALAN FRIEDMAN

PRESIDENT Francesco Cossiga will confer today a mandate to form a new Italian government, in an atmosphere made difficult by the explicit refusal of Mr Bettino Craxi, the Socialist Party leader, to accept as Prime Minister-designate Mr Crisico de Mita, the Christian Democrat leader who is the most likely choice.

The Socialist oppositi n to Mr de Mita, which followed the president's weekend consultations with party leaders, is said to have angered Mr Cossiga, who must now try and cut a Gordian knot.

If he names Mr de Mita as premier-designate then the Christian Democrat's effort to form a government will fail. If he chooses another Christian Democrat, perhaps Mr Giulio Andreotti, Foreign Minister, or Mr Arnaldo Forlani, former deputy prime minister, then Mr Cossiga would be seen to be giving in to what the Christian Democrats call "an act of intimidation" by Mr Craxi.

The result of the latest impasse is that prospects for the rapid formation of a new government are dimmer than ever.

In a risposte to Mr Craxi's statement on Saturday that "neither I nor de Mita is the right man for the job," the latter angrily reaffirmed his claim to the premiership. "Craxi has no right to reject me. His comments change nothing at all," the Christian Democrat leader declared after an emergency meeting of his party executive.

Among compromise solutions, other than the naming of such as Mr Andreotti, who is acceptable to the Socialists, there is the idea that Mr Cossiga might assign Mr de Mita an "exploratory mandate" rather than designate him prime minister immediately.

The prospect of a continuing stalemate could lead eventually to the creation of an "institutional" government, possibly led by Mr Giovanni Spadolini, the Republican who has just been elected president of the Senate.

Ciriaco de Mita: At odds with the Socialists

Proposal for 'clean kickbacks' derided

BY OUR MILAN CORRESPONDENT

IT TAKES a lot to raise eyebrows in the looking-glass world of Italian politics. But elebrows were positively arched all over Italy at the weekend when a leading Socialist Party politician proposed (seriously) the legalisation of bribery.

Mr Claudio Signorile, who served as Transport Minister in the fallen Craxi government, left his own party gasping on Friday when he proposed in an interview with the Corriere della Sera the introduction of a formula for transparent kickbacks. Within hours the Signorile proposal was covered in an avalanche of condemnation from politicians and industrialists.

Mr Signorile has a few kickback-related problems on his own hands. His private secretary, Rocco Trane, has been arrested and charged with soliciting bribes for the contract to modernise Venice airport. The ex-minister's answers to these charges, which come uncomfortably close to his own former ministry, has been to defend Mr Trane as an innocent victim of unfair magistrates and then present his startling proposal.

"We need to change the law on the financing of parties and introduce, on an experimental basis, a fixed quota of payments by companies to parties," he declared, adding that the names of the contributors would not be "documentable" but they would be subject to taxation.

Mr Signorile's proposal, which the Italian press immediately dubbed "clean kickbacks" would replace with omnibus payments the typical bribes, or commissions if that is a nicer word, of three to five per cent which are paid regularly, and illegally, by companies to politicians.

Coming in a week which also saw the arrest of a senior executive of the Socialist Party, Mr Walter De Ninno, on charges of having taken bribes in a Tuscan construction project, the Signorile proposal is not making the party of Mr Bettino Craxi look very pretty.

Mr Craxi himself has defended Mr De Ninna, calling the arrest "a grave judicial error." But the Socialist Party leader has not pronounced on Mr Signorile's remarkable brainstorm.

Others have. Mr Rino Formica, another Socialist exminister and a personal enemy of Mr Signorile's, reacted to the proposal to legalise kickbacks by saying that "he must be suffering from sunstroke." Asked if there is an alternative to the Signorile proposal, Mr Formica replied: "Sure there is. Being honest."

Bonn, Paris to discuss helicopter's rising costs

By David Marsh in Bonn

THE West German and French governments this week are expected to discuss the rising costs of a joint anti-tank helicopter planned by the two countries. The expense is causing increased concern in both Bonn and Paris.

Mr Manfred Woerner, the West German Defence Minister, and Mr Andre Giraud, his French counterpart, will hold talks in France starting on Wednesday in Paris, followed by visits to the three sections of the French armed forces.

Mr Woerner wants to make a decision by the end of the month on going ahead firmly with the joint PAH-2 battlefield helicopter which has been at the planning stage since 1984. However, Defence Ministry officials say a final decision on the project will not be made at the meeting with Mr Giraud as this would require approval from the full West German government.

Mr Giraud in recent months has consistently voiced concern over the massive cost overrun of the PAH-2. This is now scheduled to cost twice as much as planned, with development costs to be borne by the two countries running at about DM 4bn (£1.35bn). In addition, each helicopter will cost about DM 29m to buy.

The cost explosion has sparked off increasing parliamentary criticism in Bonn and has added to the already considerable financial pressures on the West German defence budget. But in view of the two countries' efforts to intensify military co-operation, officials say West Germany could not accept the political consequences of abandoning the project.

Mr Woerner and Mr Giraud will also be discussing proposals put forward by Mr Helmut Kohl, the West German Chancellor, for a joint Franco-German military unit.

Mr Woerner has welcomed the idea in principle but pointed to practical difficulties in aligning the countries' defence strategies. In particular, Mr Woerner is anxious to avoid the impression that greater links with France could substitute for West Germany's security relationship with the US.

EC farm ministers consider accounting deal to fund CAP

BY QUENTIN PEEL IN LUXEMBOURG

A SHREWD accounting deal to fill the yawning Ecu 4.3bn (£3bn) gap between European Community farm spending commitments, and available revenues in the current year, will be proposed to the 12 Agriculture Ministers in Luxembourg today.

The essence of the plan is simply to delay repayments by Brussels of farm spending made in the individual member states just long enough to cover the shortfall, and hope there will be more money available in 1988 to make ends meet.

In spite of repeated insistence by the European Commission and EC heads of government on the need to get away from budgetary "expedients" to make ends meet, the latest plan amounts to yet another accounting device.

The Ecu 4.3bn payments delay amounts to the most important part of a Ecu 6.5bn emergency budget package agreed in principle by the EC heads of government at their summit in Brussels two weeks ago.

The original estimate of overspending on the Common Agricultural Policy this year was only Ecu 2.8bn, but the amount has increased because of the failure of Agriculture Ministers to make any significant savings in the annual farm price fixing.

There is no guarantee that the plan will win instant approval from the farm ministers, because of the differing ways it will affect different member states. Nor is it certain to gain a legal opinion from the European Parliament in September — a necessary condition for it to be put into effect — because MEPs are up in arms because they say they have not been properly consulted in the budget process.

Today's deal proposes that farm payments in November and December, estimated at some Ecu 4.3bn, should be paid not in advance, as at present, but in arrears after the beginning of 1988. On paper this would be a temporary arrangement, although it seems unlikely the Commission will ever be granted adequate resources to return to the present system of advances.

A special deal is being offered to the four poorest states with the highest rates of interest—Greece, Ireland, Portugal and Spain—to help subsidise the interest payments they will incur while awaiting the cash from Brussels. That could cause some problems today fro anthose excluded from such subsidies, estimated to cost around Ecu 30m.

Study raises doubts about wheat-into-ethanol plan

BY TIM DICKSON IN BRUSSELS

CONVERTING SURPLUS European wheat into bio-ethanol for use in petrol would be an expensive option for the European Community, according to an independent group of experts.

The conclusions of their study, initiated more than a year ago by the European Commission in Brussels, suggest thart the costs to the Community budget would exceed the current subsidies paid by Brussels to dispose of unwanted cereals on world markets.

Such findings appear to be a setback for companies such as Ferruzzi, the Italian agroindustrial concern which has been pressing European governments and the Community to provide money for ethanol production. Only last week Ferruzzi announced that it was building its first big ethanol production plant in northern France.

Officials in Brussels insist that the independent study has not yet been adopted as official Commission policy and that support for a programme of ethanol production has not necessarily been ruled out.

Bio-ethanol's significance is that it is an alternative octane booster for petrol and could be used to replace lead as environmental restrictions are more strictly applied. Commercial production in Europe, however, depends on the sort of tax concessions announce last week by the French Government and on the availability of raw materials such as wheat at or close to world market prices.

At the moment European producers only have access to high priced European cereals thanks to the EC's regime of import levies—hence the need for the subsidies to bridge the gap.

The independent study's conclusions which have just been made available in Brussels are that:

● Break-even for petrol producers would come when the ethanol price fell to a range of 60 to 120 per cent of the price of super grade unleaded petrol (without taxes), the exact level depending on the extent of market penetration and the proximity of alternateve supplies to centres of production.

● While EEC subsidies would in the opinion of the experts cost more than current export restitutions, "the necessary support would be less important by the year 2000."

● Without Community aids, ethanol would only be competitive in petrol production when the price of oil reached $40 per barrel (roughly twice its present level) or when feed production costs were reduced by 40 per cent.

● A bio-ethanol project could generate between 26,300 and 39,300 new jobs.

Mr Raul Gardini, Ferruzzi's chairman, has consistently rejected objections that ethanol is not economic and is predicated upon EC subsiies. He argues, though, that instead of speding EC funds on export subsidies for cereals, the money should be redirected so that the grain surpluses can be turned into ethanol.

Officials of Vatican's bank 'not to blame'

AN AMERICAN archbishop and two other Vatican bank officials charged in a banking scandal are "victims," not culprits, a senior Vatican official was quoted yesterday by an Italian newspaper as having said, AP reports from the Vatican.

"The real culprits are in another place and far from here," said Mgr Donato de Bonis, the deputy head of the Institute for Religious Works, commonly known as the Vatican's bank, in La Repubblica.

This was the first public comment on the case by a senior Vatican bank official since arrest warrants were issued in March against Archbishop Paul Marcinkus, president of the institute, and two of the bank's lay officials.

Mr Luigi Mennini, Mr Pellegrino de Strobel and the archbishop are charged as accessories to fraudulent bankruptcy, in the 1982 collapse of the Italian Banco Ambrosiano. All three protest their innocence.

They are "victims of an obscure and complicated situation in which someone, in bad faith, wanted to put the blame on their shoulders, and without their knowledge," Mgr de Bonis added.

Behind Vatican walls, he said there was "calm and painful waiting" for a final ruling on the arrest warrants from the Court of Cassation, Italy's highest criminal court.

Greek inflation above target

THE GREEK Socialist Government's austerity programme is lagging behind its 1987 targets for lower inflation and a reduced current account deficit, AP reports from Athens.

According to figures released at the weekend by the National Statistics Service, inflation in June reached 17.1 per cent, topping last year's 16.8 per cent and well above the Government's year-end target of 10 per cent.

The current account deficit for the first five months of 1987 reached $1.34bn. The Government had been aiming for a $1.2bn deficit for the entire year.

Research selectivity urged in science

BY PETER MARSH

SCIENCE administrators in the industrialised nations should cope with financial pressures by using greater selectivity in deciding which areas of basic or non-applied research to pursue.

This is the view of the Organisation for Economic Co-operation and Development, which in a study says that governments should do more to concentrate their research resources in centres of excellence as a way to ensure that funds are not spread too thinly.

The study, on long-term research, which is due to be published in September as part of a report called "Economic Performance and Structural Adjustment," says researchers in most industrialised nations are coming under financial pressures.

While the costs of research and development have risen due to higher prices for instruments and the need for more sophisticated technical support, governments have in recent years put more resources behind areas of R and D related to energy and environmental issues and to industrial competition.

As a result, says the document, the OECD area has seen "a nearly universal decline" in the share of government spending devoted to basic research and the advancement of knowledge. The average university researcher in the OECD received 10 per cent less funding, at constant prices, in 1981 than 10 years before.

This situation is unlikely to improve, according to the report. Research planners in publicly-funded laboratories will, therefore, have to hone their slection procedures.

One way of getting extra money into the public sector research effort is for universities and government laboratories to increase ties with compaines, which can provide cash to defray some of the costs of basic research.

Administrators should also be more flexible about deploying staff, says the study. Workers in government laboratories could be given greater opportunities to change jobs and move in and out of the private sector more easily.

Dutch likely to ease shop hours restrictions

BY LAURA RAUN IN AMSTERDAM

BUYING A morsel of bread after 6 pm in the Netherlands is no easy task — either you find one of the few night shops or you go hungry.

But a lot of Dutchmen are getting fed up with some of the most restrictive shopping hours in Europe and the Cabinet finally approved a proposal this week to allow shops to operate in the evening or in the daytime. A shopkeeper could choose evening hours from 12 noon until 9 pm or the current daytime hours from 9 am until 6 pm although the total weekly limit of 52 hours would remain.

When the Tweede Kamer (parliament) returns in September from summer recess MP's are expected to finally move to modernise the old-fashioned law that is grounded in Dutch Calvinism. Proponents and opponents have hotly debated the issue for 15 years and for the last two years a bill that would allow shops to stay open until 7 pm has languished in parliament.

The growing number of women working outside the home, divorced singles, "dinkies" (double-income-no-kids couples) and yuppies are fueling the drive for later shopping hours. Large retail stores also want to stay open longer because the extra revenue almost certainly would surpass the extra overhead costs.

But small shops, especially "ma-and-pa" stores, vehemently oppose evening hours because the work would interfere with owners' and employees' social lives. Last year an overwhelming 96 per cent of small proprietors came out firmly against any change in the law.

Nevertheless some kind of more flexible law seems likely given the Cabinet initiative and various degrees of support from the pro-business Liberal Party, Labour and Democrats '66. Together these parties could defeat the governing Christian Democrats, whose political precepts are based on the bible and who argue that evening shopping would undermine family life.

Even the FNV labour union, the biggest in the country, appears to have quietly dropped its argument that evening work would disrupt employees' club meetings and football games. Modestly rising wages and persistently high unemployment apparently have convinced union members that more flexible working conditions are inevitable if labour is to improve its lot.

Mrs Louise Groenman, a Democrats '66 MP and sponsor of the bill that would extend business hours until 7 pm, calls the Cabinet proposal "artificial" because only big-ticket stores selling cars and the like could afford to stay open late. Smaller shops purveying bread and milk wouldn't earn enough to pay the 50 per cent higher labour wages, argues Mrs Groenman, a doctor of sociology and a single parent herself.

But she is optimistic that the law will be changed sooner or later. "The FNV's new position is positive and despite the Christian Democrats something will happen," she predicts.

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OVERSEAS NEWS

Chris Sherwell reports on the 'Damocles sword of disunity' whlch doomed Australia's Liberals

Sir Joh blamed for 'bush fires' that led to Howard's defeat

MR JOHN HOWARD, defeated leader of the opposition Liberal Party in Australia's election, was careful not to blame anyone on Saturday night when he graciously conceded victory to Mr Bob Hawke, the Labor Prime Minister.

His senior colleagues were not so circumspect. Nor was Mr Ian Sinclair, federal leader of the National Party and Mr. Howard's erstwhile coalition partner. By yesterday morning, even Mr Howard had come out openly.

All agreed: Sir Joh Bjelke-Petersen, said Mr Howard, "must carry an enormous share of the blame" for the opposition's defeat.

He was referring to the 76-year-old Queensland premier's "push for Canberra," launched late last year after a stunning victory in state elections. The campaign sought explicitly to dislodge both Mr Sinclair and Mr Howard, and to secure federal power on a platform of small government, low taxes and weak unions.

Australia's Prime Minister Bob Hawke and his wife Hazel acknowledge the cheers of supporters

The plan didn't work. Mr Sinclair and Mr Howard fought back. The two parties suffered deeper internal splits. Their decades-old coalition fell apart. And Mr Hawke called an early election.

"Over the past six months," Mr Howard said yesterday, "I have spent 75 per cent of my time putting out bush fires on my own side, and 25 per cent fighting the Labor Party, and I've no doubt in the world that if that push from the Queensland National Party had not occurred, we would not have had an election in July.

"The Hawke government would have run its full term. The coalition, which led in the opinion polls for eight months last year, would have gone into the election with the perception of unity."

Instead, a "Damocles sword of disunity was there the whole time, and it proved decisive." The Australian people would not elect a disunited team, and the opposition did well to pick up the support it did.

Although Mr Howard also acknowledged the disunity within his own Liberal Party—no one was totally blameless, he said—he did not dwell on it. It took Sir Joh to throw the accusations back, and others are bound to tackle Mr Howard further.

The Queensland leader flatly rejected any blame, saying his only regret was that he didn't carry his Canberra campaign further.

To him, Mr Howard and Mr Sinclair had taken up his calls for massive spending cuts and low tax rates with no resort to a consumption tax. But they had done so too late.

If they had supported him "along the lines that they ultimately did after months of disagreeing", Sir Joh declared, the story would have been different.

But, said Sir Joh, this was not the end of the road, "only the first round." No policy but his would achieve what was necessary. If Labor carried on in the same direction, he warned, it wouldn't last a full three years.

Mr Howard, too, insisted he had offered the Australian people the right platform of spending and tax cuts. But as Mr Hawke himself observed yesterday, Mr Howard, who had previously stood strongly for a consumption tax, didn't seem to believe seriously in what he was offering.

"I have respect for John Howard" the prime minister said of the opposition leader's courage and tenacity, "but not for what he campaigned on."

One key factor counting personally against Mr Howard was his refusal to get the opposition's tax policy out earlier, despite the urgings of his colleagues and his own belief that tax would be central in any election campaign.

His delay entalled haste once the election was sprung, and like Sir Joh he turned out, inexcusably, to be unprepared. That meant mistakes, specifically a disasterous double-counting error over his spending cuts.

Another was his decision to ditch talented but "wet" Liberal colleagues in favour of others who shared his "dry" attitudes or were more loyal, but who let him down.

Mr Howard ended up with the campaign he wanted and the team he wanted, running it almost single-handed. Despite his performance, therefore, he cannot escape blame for the outcome — and the man he replaced, Mr Andrew Peacock, will almost certainly fight him for the Liberal leadership which now automatically falls vacant.

Inevitably, the outcome itself has overshadowed some significant signals for both parties in the election returns.

Initial analysis shows that, while Labor should increase its majority in the 148-seat House of Representatives, it actually suffered a swing of some 1.4 per cent against it.

Fortunately for Labor, this swing was far from uniform. The party tended to lose votes in safe seats, hold on to its marginals and looks like picking up narrowly-held opposition seats.

Most seats did not change hands. Of the five still in doubt last night, one was in Melbourne and Labor-held, one in Sydney, also Labor-held, and three in or around Brisbane (two National and one Liberal).

Significantly, big swings against Labor were felt in Sydney's western suburbs, traditional strongholds where the disaffection over Labor's economic policies has perhaps been greatest.

The Liberals and Nationals needed a 2.3 per cent swing across the country to win the nine seats necessary to oust Labor. That they picked up support in all states but one — Sir Joh's Queensland — is being taken as a sign that Sir Joh's influence is on the wane.

Though it was Mr Hawke's victory, Mr Howard's determined campaign earned wide appreciation. Conceding defeat in Sydney at 9.55 pm on Saturday night, he was gracious to a fault.

After wishing Mr Hawke's government well, he said: "We are about to enter our third century as a nation. Whatever differences that divide us politically — and they are important differences, and they will remain important differences — those things that unite us as Australians are much greater and more enduring."

Mr David Lange, the New Zealand Prime Minister, welcomed the election victory by Australia's Labor Party, saying it could begin a new era in New Zealand-Australian relations.

Mr Lange and Mr Bob Hawke, the Labor leader, have never appeared close, but Mr Lange says that as soon as the New Zealand election, which he expects to win, is over on August 15 he will invite Mr Hawke to Wellington for discussions on topics of mutual interest.

Mr Jim Bolger, leader of New Zealand's opposition National Party, used the Hawke election victory as a reason to attack the public opinion polls which have shown the Labor government to be well ahead. Mr Bolger said Mr Hawke's victory showed public opinion polls were unreliable and that no faith could be put in the New Zealand polls.

Asean aims to increase co-operation

By Peter Ungpahorn

ECONOMIC MINISTERS of the Association of South East Asian Nations, meeting in Singapore, have agreed to increase significantly the number of trade items given preferential treatment and to increase incentives for Asean industrial joint ventures.

The measures are part of a pacakage for economic co-operation being drafted for the December Asean summit to be held in Manila. Sluggish world trade and protectionism in industrial countries, Asean's main trading partners, have revived determination among Asean's six members—Indonesia, Malaysia, the Philippines, Singapore and Thailand—to make economic co-operation more effective.

Singapore's Prime Minister, Mr Lee Kuan Yew, opening the meeting on Thursday, said such action would make the six more atractive to investors from North America, Europe and Japan.

Among the compromises required in order to reach agreement on a joint communique issued on Saturday were the ommission of a proposal to establish an "Asean trade area" by AD 2000. Indonesia, in particular, takes the view that its industries are less developed than those of its neighbours and argues that it needs to maintain some protection.

Iran moves to keep Syria on its side

BY ANDREW GOWERS, MIDDLE EAST EDITOR

IRAN APPEARED yesterday to be trying to head off a long-expected reconciliation between Iraq, its enemy in the Gulf war, and Syria, its long-time ally.

Mr Farouq al-Sharaa, Syrian Foreign Minister, arrived in Tehran yesterday with a letter to President Ali Khamanei of Iran from President Hafez al-Assad of Syria. The surprise visit follows fresh signs of tension between Iran and Syria over the activities of pro-Iranian groups in Lebanon, and coincides with reports of a possible rapprochement between Mr Assad and President Saddam Hussein of Iraq, who have been bitter foes for eight years.

Such a move would be a major setback for Iran, depriving it of its last Arab ally in its war with Iraq. It might help Iraq's war effort, with the reopening of an oil pipeline from Iraq to Syria's Mediterranean coast, which Mr Assad closed five years ago as a gesture of support for Tehran. It would also be a significant step towards patching up differences within the Arab world as a prelude to a possible summit meeting of Arab leaders at the end of this year.

King Hussein of Jordan has been working hard to reconcile Syria and Iraq in recent months, and has recently visited both Baghdad and Damascus. His prime minister, Mr Zaid al-Rifai, confirmed recently that Mr Assad and Mr Saddam Hussein met "secretly" in north-eastern Jordan in April.

The cautious Syrian president has also been under strong pressure from Saudi Arabia and other wealthy Arab countries to shift his stance. Any decision to break with Iran would almost certainly bring substantial financial assistance for Syria's beleaguered economy from the Arab Gulf states.

Jordan yesterday denied reports that a public meeting between the two leaders was imminent. After Mr al-Sharaa's arrival in Tehran, the Iranian news agency said the Syrian foreign minister had renewed Syria's pledge to back Iran in the Gulf war. It quoted Mr Ali Akbar Velayati, Iranian Foreign Minister, as saying that Syria and Iran shared the view that the war should continue until Saddam Hussein's regime had fallen.

However, it was understood from Damascus that Syria's patience with Iran has been strained to breaking point by events in Lebanon. Pro-Iranian groups in Beirut are holding most, if not all, of the western hostages in Lebanan, and efforts to obtain their release, since Syria sent 7,000 troops into West Beirut to restore order in February, have been to no avail.

The activities of these groups have been an embarrassment to Syria as it tries to improve its image in the west, and a challenge to its influence in Lebanon. President Assad has been particularly angered by the kindnapping several weeks ago of Mr Charles Glass, a US journalist

Thatcher plea likely for Harrier project

BY DAVID BUCHAN, DEFENCE CORRESPONDENT

THE HARRIER aircraft programme for the US Marine Corps has taken a serious hit from one side of Capitol Hill and badly needs a political lift. It might just get that, when Prime Minister Margaret Thatcher arrives in Washington this week.

This has been politically the worst year for the AV8B version of the Harrier, which McDonnell-Dougals and British Aerospace jointly produce, since the programme statred in the late 1970s. In those days the Pentagon was against the AV8B, but Congress was for it and its view prevailed.

This year views have reversed, and the AV8B has become a casualty of defence spending cuts by the House of Representatives, which has authorised no money for the bouncy jets in its version of the 1988 Defence Bill. The Senate Armed Services Committee authorised purchase of 32 AV8Bs, as requested by the Administration, but the full Senate is delaying action on the 1988 Bill.

Mrs Thatcher will able to remind her US hosts that the programme, under which McDonnell-Douglas and BAe make the AV8B version for the Marines and the GR5 version for the Royal Air Force, is the biggest collaborative project the US has going. Its demise now could put in question the sincerity of new US pledges to greater defence cooperation.

The total value of the joint programme, including research and production, is put by McDonnell-Douglas executives at $12bn, with the US accounting for $9bn. So far, the US has spent $6bn, taking delivery of 80 AV8Bs with funds for 50 more, and the UK has spent $1bn buying 60 GR5 aircraft with an option to buy 36 more.

Co-operation between the two companies is also the core for a new agreement between the US and UK Governments for research into technologies for an advanced short take off and vertical landing aircraft (ASTOVL), a sort of supersonic Harrier for the 1990s.

The fear of the two companies, and of the Marines, is that if the AV8B is struck out of the budget for just one year, it will never get back in again. McDonnell-Douglas has been paying for full page advertisements in the Washington media, discreetly steering the Americanness of the AV8B.

There is, apart from political cunning, technical justification for this. McDonnell-Douglas has doubled the payload radius of the aircraft by using lighter, composite materials which now account for 26 per cent of its structural weight. It has also improved on the Harrier avionics, though partly with television displays from Smiths Industries of the UK.

But there is a new plan to upgrade the AV8B/GR5 models so as to regain Congressional support and to whet so far flagging export demand for either version of the aircraft. To date, the only sale has been of 12 AV8Bs to the Spanish Navy. A radar, either from Hughes of the US or Ferranti of the UK, plus a new Rolls Royce engine might, it is hoped, interest another navy or, even more important, another air force in the product.

Roh to drop hardliners in Cabinet reshuffle

By Our Seoul Correspondent

A MAJOR Government reshuffle, involving the South Korean Cabinet and the ruling Democratic Justice Party, is expected this week following the resignation of President Chun Doo Hwan as party president last Friday.

Mr Roh Tae Woo, chairman of the party and the man who announced the plan for democratic reform in the country last month, is expected to take the opportunity to remove hardliners who have resisted change.

Some former military men are likely to take a back seat, while analysts believe that Mr Roh may decide to promote a number of younger assemblymen with a more moderate image.

The opposition Reunification Democratic Partly is also likely to make substantial changes following restoration of Mr Kim Dae Jung's civil rights last week. He is expected formally to join the party, which is led by Mr Kim Young Sam, this month.

Mr Kim's formal entry into the RDP could change the balance of power within the party. At present members are equally split in allegiance to one or the other Kim.

Mr Kim Dae Jung is also supported, however, by a large dissident group, some of whom may also join, thus giving him majority support within the party over the present leader.

Anxiety continued at the weekend over the intentions of the two men in the presidential election later this year. Both reiterated their plans to remain united and to decide on who is to be the candidate later. In 1979 the two Kims campaigned against each other for the presidency and have been partly blamed for the resulting military coup by President Chun Doo Hwan.

Mr Lee Shin Bom, a leading supporter of Mr Kim Dae Jung, returned from exile in the US at the weekend accompanied by Mr Thomas Foglietta, a US Congressman.

Donors pledge $700m in aid to Mozambique

BY GEORGE GRAHAM IN PARIS

MOZAMBIQUE has won aid commitments from Western industrial nations which are expected to cover its external financing needs for the next three years.

In a meeting with donor nations at the World Bank in Paris last week the hard-pressed southern African country won aid pledges for 1987 of $700m, to complement the $400m it received last month from the rescheduling of repayments on its official debts at the Paris Club.

Total aid commitments to Mozambique have nearly doubled in two years, and further increases are expected in 1988 to meet the estimated $820m external financing requirement.

Dr Mario da Graca Machungo, Prime Minister of Mozambique, said the economic rehabilitation programme – a four-year plan aimed at reducing state control over the economy and correcting financial imbalances – had already started to produce results, following the 80 per cent devaluation of the currency, the metical, and the ending of price controls on a number of agricultural products.

In an interview with the Financial Times Dr Machungo said agricultural output this year was now expected to rise by 8.5 per cent to 9 per cent, industrial production by 15 per cent and exports by 8.5 per cent from 1986.

There had been some improvement in Mozambique's security situation and parts of the Zambezi province are expected to restart agricultural production next year, but production is still disrupted on some 20,000 hectares of farmland by the Renamo rebel group.

Defence takes up around 50 per cent of the state budget, although it is hoped that defence spending can be cut by 20 per cent over the period of the plan.

Dr Machungo said Mozambique had asked France to provide military aid, as the UK does already, but would not specify the kinds of aid sought.

The Mozambican army works with Tanzanian and Zimbabwean troops against the South African-backed Renamo guerrillas and has recently been joined by Malawian forces. Dr Machungo said these forces had now recovered from Renamo, the initiative in the warfare which has severely afflicted Mozambique's economy.

Mozambique's overall financing needs are estimated at around $1.1bn a year over the next three years, with $800m of relief coming from reschedulings of government-to-government debt in the Paris Club and $200m from London Club reschedulings of commercial bank debt.

The combined reschedulings are expected to reduce Mozambique's overall debt service burden to 130 per cent of its exports of goods and services, half the ratio of 275 per cent reached last year.

Dr Machungo said the country still depended on being granted concessional interest rates by its creditor nations in the bilateral negotiations that follow the general Paris Club agreement.

"Our country will have to be granted low interest rates because only under such conditions can we comply with our pledges," Dr Machungo said.

Italy, Sweden and the Netherlands have already agreed to concessional interest rates on their debts, while the UK has converted earlier loans into grants. Mozambique is still negotiating with its largest creditor, France.

The Prime Minister said his country still stuck to the 1984 Nkomati agreement with South Africa, which declared a truce, but refused to negotiate directly with the Renamo forces.

"Talking to the bandits would be like talking to a dog when it has bitten you. If you are bitten by a dog you either knock it down or you go and talk to the dog's master," Dr Machungo said.

South African miners vote to strike

BY JIM JONES IN JOHANNESBURG

MORE THAN 250,000 black workers have voted in favour of a strike in South Africa's mining and metals industries, according to union counts. A decision on the strike will be taken early this week.

The largest vote was by members of the National Union of Mineworkers (NUM), which represented about 170,000 gold and coal miners in wage talks which foundered at the end of June.

Talks broke down with the union demanding across-the-board wage increases of 30 per cent for its members against the mineowners' final offer of increases ranging from 17 per cent to 23 per cent.

Although vote counting had not been completed, NUM officials said miners had voted overwhelmingly in support of strike action, largely on goldmines and collieries managed by the Anglo American group.

Ballots were not held at a number of mines as the NUM is not recognised by management as representative of workers. Union officials appeared confident that strikes would be called at the mines involved, although labour analysts believed this could be posturing rather than a genuine threat of a prolonged stoppage.

Meanwhile the National Union of Metalworkers of South Africa was expected to decide on strike action today or tomorrow. The union reached deadlock in its talks with the employers' representative body Seifsa, the Steel and Engineering Industries Federation of South Africa, a fortnight ago. The employers were then offering to increase hourly wages for about 85,000 employees in 500 factories by between 39 cents (19 US cents) and 72 cents.

Friction in S Korea over rise of currency

By Maggie Ford in Seoul

INCREASED friction between Washington and Seoul over the appreciation of the South Korean currency is expected after a statement by Mr Malcolm Baldrige, US Commerce Secretary, that the won has not risen enough against the US dollar.

South Korean finance officials have been deluged with complaints from all sectors of industry over the Government's apparent policy of giving in to pressure over won appreciation. The won has appreciated against the dollar by 6.5 per cent this year, but Government planners have suggested that an appropriate rate of appreciation would be about 10 per cent over the full year.

This month, Mr Chung In Yong, Economic Planning Minister, said that the rate of appreciation would slow in the second half of the year, adding that faster appreciation would only increase South Korea's trade deficit with Japan, rather than decrease its surplus with the US.

South Korea had agreed this year, after a visit to Seoul by Mr Baldridge to consult the International Monetary Fund over the level of the currency. During the talks with the *IMF delegation* in early June, the currency jumped more than 0.5 per cent in two days. Now it stands at 807.9 to the dollar.

Major businesses are reported to have invested $1.2bn in futures contracts this year to hedge against the appreciation and have complained that Government-controlled high interest rates, and restrictions on foreign currency borrowing, are hurting their profitability.

Small and medium-sized businesses have complained that their efforts, supported by the Government, to localise production of components now imported from Japan are being hampered by the won appreciation.

The Korean Federation of Small Businesses complained that large companies were passing on their foreign exchange losses to small subcontractors and that 40 per cent of small companies are now trading at a loss.

Mr Chung hinted in an address to the Federation of Korean Industry last week that the level of won appreciation should be kept at half the level of the appreciation of the Taiwan dollar against the US currency.

South Korea preferred to deal with the pressure over its trade surplus by opening markets and gradually lifting foreign exchange restrictions, he said.

A raft of import restrictions and lowered tariffs came into force on July 1

Mr Baldrige said during his Seoul visit that South Korea was responding better to US demands than Japan. Because of the depreciation of the dollar, the effective rise of the won had been only 2 to *3 per cent this year, he added.*

Four left in Turkish coal power bids

By David Barchard in Ankara

THE MARATHON contest between international consortiums bidding to build coal-fired power plants in Turkey, on a franchise basis, now looks likely to drag on until at least the end of August.

Five international consortiums—led respectively by Bechtel of the US, Seapac of Australia, Brown Boveri and Co. of Switzerland, Ansaldo of Italy and the Electrical Power Development Corporation of Japan—submitted their "best and final offers" to the Turkish Government for their rival schemes to build and operate power plans of between 800 Mw and 1,400 Mw in the second week of June.

Some details of the negotiations have yet to be finalised but four of the five bids are said to be extremely close with the cost per kilowatt-hour at about three or four US cents.

The higher bidder was the Italian - French consortium, which is understood to have been excluded from the race.

The civil servants briefing Mr Turgut Ozal, the Prime Minister, are understood to have made no recommendation about a final choice.

"It is quite usual for the prime minister to refer bids for a final scrutiny at this stage," said a Western diplomat in Ankara this week. "The alternative would have been to produce a final short list of two, but with the bids so close and so hard to evaluate, this step is perfectly usual."

Even so, some of the companies involved have been taken aback by the referral.

The easiest scope for improvement would seem to lie with the Australian bid, as the price of the coal it will need is fixed directly by the Queensland Government.

Pressure rises on Argentina's creditors to accept exit bonds

BY ALEXANDER NICOLL

EFFORTS to persuade some of Argentina's creditor banks to accept so-called "exit bonds" will be stepped up this week. These would exempt the banks from future requests for loans and for rescheduling of debt service.

The maximum value of such bonds which banks may take is to be increased from $5m each, probably to about $15m, so as to accommodate requests from a few banks with relatively large exposures.

The long-term, low-interest securities were included as part of the "menu of options" in Argentina's bank financing package, but virtually no banks have agreed to take them so far.

The bonds are aimed principally at banks with very small exposure to Argentina on the theory that a reduction in the number of bank creditors would make the arrangement of future new loans and reschedulings less cumbersome.

One third of the 300 or so banks that are Argentina's creditors account for only 1 per cent of its $31bn debt to banks. It is essentially these—always the most difficult to round up for such packages—that have yet to respond to the request for a $1.95bn loan and $30bn rescheduling.

Banks arranging the deal say pressure will now be put on them to accept exit bonds in place of their loans.

However, many banks are likely to resist—either because they have already sold or written off their loans, or because they prefer simply to continue receiving the relatively high interest on their existing loans, by comparison with the 4 per cent rate on the 25-year exit bond.

The response to Argentina's loan, now 99 per cent committed, is the quickest to any such package since the debt crisis erupted in 1982.

The menu approach appears a success, with about one-third of banks accepting "new money" bonds, to which they are allowed to subscribe up to $1m each for tradeable securities issued on the same terms as the loan.

India rescue plan for ship line may involve sale of vessels

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE INDIAN Government is considering a rescue plan for the troubled Scindia Steam Navigation shipping line, which could involve the sale of a third of the company's fleet.

Scindia ran into serious trouble four months ago because of falling freight rates and strong competition on its main routes from India to Europe, the Soviet Union and the US.

Two of the company's fleet of 24 ships are under arrest, at Ghent and Flushing, and the remainder are stuck in ports from Suez to Algiers because of lack of finance.

Several of the ships are believed to be carrying valuable cargoes, including consignments of jute goods destined for the European market.

Mrs Sumati Morarjee, Scindia's chairwoman, has asked the government to help bail out the company, and spent last week trying to raise funds to get the fleet moving again.

Three new directors have been appointed in an attempt to strengthen the company's management, including Mr V. M. Parekh, a former executive director of the state-owned Shipping Corporation of India, and Mr P. V. Rao, Joint Secretary for Shipping in the Ministry of Shipping and Transport.

Mr Rao confirmed that a rescue plan was being considered, and that the intention was to create a smaller, more compact organisation.

Other government officials said this could mean the sale of up to nine ships and a withdrawal from unprofitable trade routes.

Scindia lost Rs 640m (£30.9m) last year, and is heavily in debt to the Indian Government, which has provided extensive finance and arranged repayment moratoria on a number of debts. Many of the company's ships are believed to be mortgaged to the government.

No officials comment was available from the company's headquarters in Bombay, but one manager said: "It is true that we are in very serious trouble, but we are trying to put together a package which will get us out of this mess."

Scindia was founded in 1919 and is one of India's most prestigious cargo shipping companies. It also founded India's first shipyard, known as the Hindustan yard, which was later nationalised.

Dry cargo rates improve

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE DRY cargo market picked up slightly last week as the key US Gulf to Japan grain rate increased up sharply from around $12 to $14.15 in response to a shortage of tonnage and increased demand. The US Gulf to Europe rate followed the trend with a more modest improvement to about $7.50.

Denholm Coates, the London brokers, said Soviet grain buyers had moved back into the market for Canadian produce, but forecast only modest chartering activity.

In the tanker market, rates moved upwards quickly despite efforts by charterers to keep fixture terms private.

Galbraith's, the London brokers, said the pace and strength of the market took owners by surprise, but rates were rapidly increased to around Worldscale 70 for 275,000 tons from the Gulf to the Red Sea and for 230,000 tons to Japan.

Worldscale 55 was said to have become the norm for the longer trip to Europe and US for ships of the 250,000 tons class, but a US company received 14 offers for the end July/ early August position, ranging from Worldscale 55 for a 400,000 tons cargo to Worldscale 62.5 for 265,000 tons.

Charterers countered with offers of Worldscale 38/40 respectively, but owners were thought likely to continue to show a bullish attitude.

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES

US$ m

	May 87	April 87	March 87	May 86
US	14,222	14,891	17,292	14,320
Japan	63,638	62,934	53,439	28,197
W. Germany	57,338	55,949	54,022	37,732
UK	25,667	29,903	18,005	11,172
Italy	21,977	23,896	23,131	17,336
Belgium	5,981	5,968	5,207	5,222
Netherlands	11,506	11,428	10.486	9,156
France	28,436	30,429	28,910	29,510

Source: IMF

India to set up anti-terrorist cells in north

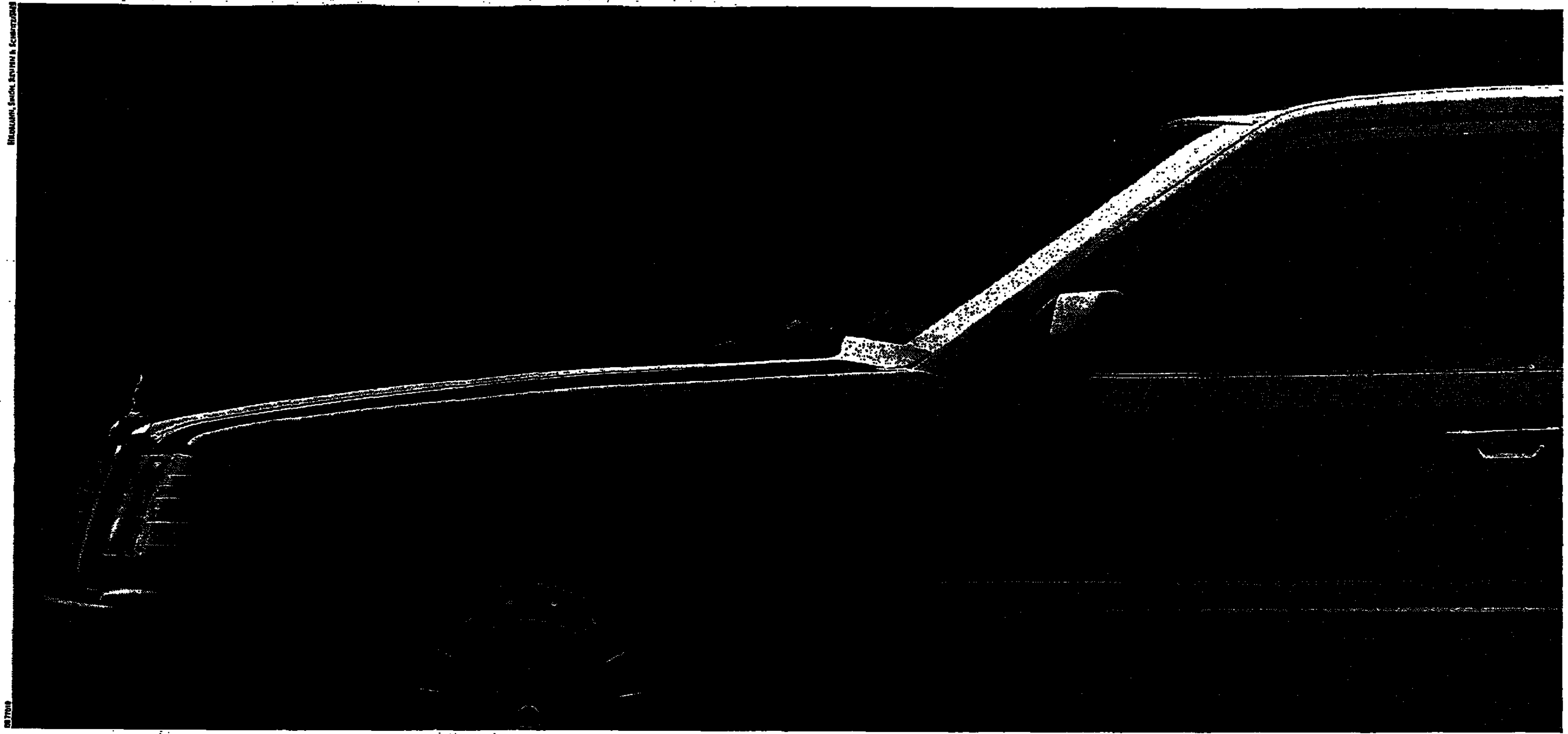
By K. K. Sharma in New Delhi

THE INDIAN government has decided to establish special anti-terrorist cells in seven states, and in two union territories directly administered by it in the northern parts of the country. This follows the extension of terrorist activities by Sikhs last week.

Since Sikh terrorists gave notice that they would act outside Punjab, where their activities have largely been confined in the past five years, the government has felt that the problem must be seen as being at least regional in nature, if not national.

The extention of the terrorist activities is thought to be part of a strategy to provoke a Hindu backlash sufficient to force Hindus to migrate from Punjab and Sikhs now outside the state to return to Punjab in such large numbers that the aim of an independent Sikh homeland they call "Khalistan" would be achieved.

The new anti-terrorist cells to be established in the northern states will be manned by specially-trained personnel



New Opportunities.

For Daimler-Benz the 1986 financial statement is significantly more than merely the accounts for the year.

New opportunities are taking shape, and we have the ability to take advantage of them.

For the first time AEG, Dornier and MTU have been incorporated into the annual accounts. Consolidated group sales increased by 25% to DM 65.5 billion.

After the successful closing of the accounts for the anniversary year of the first century of the automobile, this provides an encouraging opening statement for the second – on a broader basis.

Vehicle production in top gear.

In 1986 both domestic and foreign demand for Mercedes cars exceeded production capacity.

In the highly competitive commercial vehicle markets, we maintained our leading position due to our modern range of vehicles and a convincing after-sales service offer.

Our future competitiveness will depend even more on our ability to set progressive standards in both product development and manufacturing technology, to meet the highest demands.

DAIMLER-BENZ GROUP

	1986	Change in %
Sales (in millions of DM)	65,498	+ 25.0
Domestic	27,838	+ 48.8
Foreign	37,660	+ 11.7
Cars	31,300	+ 9.6
Commercial Vehicles	17,747	− 12.2
AEG	11,069	•
Dornier	2,112	•
MTU	2,766	•
Car Production (units)	594,080	+ 9.8
Commercial Vehicle Production (units)	226,344	+ 5.8
Number of Employees (at year end)	319,965	+ 38.5
Domestic	257,538	+ 38.0
Foreign	62,427	+ 40.5
Personnel Expenses (in millions of DM)	19,358	+ 41.7
Fixed and Financial Assets	12,148	+ 19.0
Investments	5,580	+ 1.6
Depreciation Expenses	3,361	+ 2.6
Cash	14,668	+ 26.3
Stockholder's Equity	12,294	+ 25.8
Basic Share Capital	2,118	+ 24.7
Taxes on Income and on Net Assets	4,034	− 7.1
Net Income	1,767	+ 5.1

Quality before quantity.

With our continuous growth and the broadening of our company's base through the acquisition of AEG, Dornier and MTU, we have gained a new dimension as an industrial concern with a wealth of opportunities for acquiring knowledge and for moving into new areas.

We see this as a major step towards securing the long-term future success of our group. We have always given priority to growth in quality over growth in quantity.

Continuing at the top.

To be a yardstick of progress, it is necessary to place the greatest emphasis on innovation and technology.

Our capital expenditure programme, which will amount to DM 24 billion in the next five years, and the enthusiasm and determination of our employees provide us with an excellent basis to both exercise a decisive influence on the "new age" of the motor vehicle and to be successful in the new areas of activity.

We have confidence in the future. The achievements of the past confirm our resolve.

Advertising revenue 'likely to show sustained growth'

BY RAYMOND SNODDY

NEARLY ALL media industries are likely to enjoy sustained growth in advertising revenue in the years to 1995, according to a study by Saatchi & Saatchi Compton, the advertising agency.

Real growth in the economy and in consumer spending is likely to contribute to real overall growth in advertising expenditure for each medium, with the possible exception of the cinema, which may only maintain its expenditure in real terms.

In the years 1989-1995, Saatchi & Saatchi forecasts annual increases in advertising revenues of 10 per cent for commercial television, 8 per cent for print, 11 per cent to 12 per cent for commercial radio, 8 per cent for outdoor (posters) and 6 per cent for cinema.

The agency believes that satellite television will develop faster than cable television and that 35 per cent of British homes will have their own satellite receiving dish by 1995. The combined satellite and cable penetration will then be about 45 per cent and advertising revenue should have reached almost £500m, it predicts.

Overall, television is expected to continue to increase its share of total advertising expenditure. By 1995, combined television, cable and satellite advertising revenues should reach £3.5bn, compared with Advertising Association estimates for this year of £1.6bn for ITV, Channel 4 and TV-am.

Total viewing is likely to grow by 7 per cent over the period because of an ageing population and more choice of channels.

Costs for television advertisers are likely to continue to rise.

The agency says: "Although the new television stations will have increased the supply of commercial audience as we get into the early 1990s the continued rise in demand will lead to higher costs in real terms. Post-1995 the increased rate of supply may provide a different scenario."

Saatchi & Saatchi believes the arrival of national commercial radio stations envisaged by *the Government* will "turn radio into a mass medium at a stroke." As a result, advertising revenue, estimated at *£100m this year, will more than* treble by 1995.

The move from Fleet Street, new technology and manning levels together suggest a prosperous future for national newspapers in the medium term. Long-term declines in circulation and readership could be reversed.

In the years to 1995 "the entrepreneur will see the possibilities provided by the new technology, be it in television, print or elsewhere, and will seek ways of satisfying advertisers' needs," says Saatchi & Saatchi.

The Media Landscape Now to 1995. Saatchi & Saatchi Compton. £25.

Rift widens between leaders of SDP

By Peter Riddell, Political Editor

THE SPLIT in the leadership of the Social Democratic Party widened over the weekend with strong exchanges between the rival camps either supporting or opposing a merger with the Liberals.

With the ballot of the SDP's 58,000 members under way, Dr David Owen, party leader, described a merger as "basically defeatist." In an interview in the Sunday Telegraph he said it represented a lack of nerve which "comes from the sort of *liberal-minded—with a small l* — people in this country because they are people whose nerve always folds."

Interviewed on the BBC's World this Weekend programme, Mrs Shirley Williams, party president and merger supporter, said she resented Dr Owen's remarks.

However, she repeated her hope that if the ballot went in favour of merger Dr Owen might reconsider his view that he would be an independent social democrat outside of any new party.

Mrs Williams said she would probably not stay on as party president *if* the vote went against merger. She said that in such circumstances people like her would have the choice of remaining in the *SDP*, joining the Liberals or leaving politics.

Mrs Williams also clashed with Dr Owen over remarks she made on Saturday at the annual conference of SDP councillors in Nottingham that it would be an "act of vivisection" to rip apart the unity that already existed between Liberal and *SDP councillors in local government.*

Dr Owen said: "We really had better watch our language. *Are the majority of the national* committee vivisectionists, or the party's trustees, or all those councillors, or our MPs, or the activists?" He was referring to the opposition of a majority of the national committee, both trustees, and four out of five MPs and well over 100 councillors to merger.

An indication of the new policy thinking of Dr Owen and his allies, parallel to that of some ministers, came yesterday from Mr John Cartwright, the party's whip and a vigorous opponent of merger.

He argued that a new approach must include public/private partnership in housing finance, giving tenants the right to opt out of council control, providing more resources from central Government and allowing the Housing Association movement to develop into a leading *provider of rented* housing.

Some of these ideas were also put forward in the Conserva*tive election manifesto.*

Aberdeen harbour to open grain facility

get a deep-water grain export facility. It will open on August 6.

The facility will be capable of loading vessels of up to 15,000 tonnes at rates of up to 3,000 tonnes a day. It will draw grain from within an 80-mile radius of Aberdeen and annual *exports from it might reach* 75,000-100,000 tonnes.

Tom Lynch looks at a procedural dilemma in the Commons

IRA row puts Speaker on the spot

THE FURORE in the House of Commons on Thursday over the *procedure by which the Prime* Minister was able to attack Mr Ken Livingstone over his Northern Ireland allegations has left Mr Bernard Weatherill, the Speaker, in a dilemma.

Mr Livingstone's speech and the subsequent row largely overshadowed what Mr Weatherill described as an abuse of parliamentary procedure.

Such procedural considerations may be seen as trivial. Many Conservatives were obviously pleased a way had been found to rebut the allegations concerning two men murdered by the IRA—Mr Airey Neave, a close friend of Mrs Thatcher, and Capt Robert Nairac, an SAS undercover officer.

However, the way the Prime Minister was given the opportunity to attack Mr Livingstone provoked Mr Neil Kinnock, the Labour leader, and many of his party colleagues to rage.

Mr Tim Yeo, a Tory MP, said *Mr Livingstone* had abused parliamentary privilege to attack people who could not answer back. Mrs Thatcher, apparently from a prepared text, agreed and invited Mr Kinnock to repudiate the allegations. He responded by saying they were "probably unfair."

All this may seem mundane in the cut and thrust of politics—it is a favourite ploy to embarrass senior opponents by challenging them to disown statements from more rash junior colleagues.

Labour's point, however, is that question time is set aside for MPs to interrogate the Government about its policies and conduct. As Mr Weatherill acknowledged, Mr Yeo's question was an abuse of that purpose, because the Prime Minister cannot be held accountable for statements by Mr Livingstone.

The Speaker ruled that an abuse had taken place and ruefully acknowledged that he had not caught the drift of the ploy until the Prime Minister had "started on her reply."

The problem for Mr Weatherill arises from a ruling he made in February about points of order, the devices which allow MPs to challenge the relevance of a contribution by another MP, or question whether proper procedures are being followed.

Under Mr Weatherill and his predecessor, points of order relating to question time were taken at the end of it. By the end of last year, however, concern was growing that MPs were using points of order to extend question time well beyond 3.30 pm—for example, many MPs raised points of order to complain that a minister had failed to answer a question. The Speaker spent a lot of time repeating that what ministers say in the House is not his responsibility.

The situation got worse in the early part of this year as the political temperature rose in the wake of the Zircon affair.

On February 12, Mr Weatherill told the Commons he would "revert to the well-tried *practice of earlier times* "in taking points of order after all questions, statements and applications for emergency debates." This might involve a considerable delay, often of well over an hour.

At the time, Mr Kinnock questioned the position of a member about to leave the chamber who would not be prevented to hear a later point of order "which might have a direct bearing on the member's honour, conduct or otherwise."

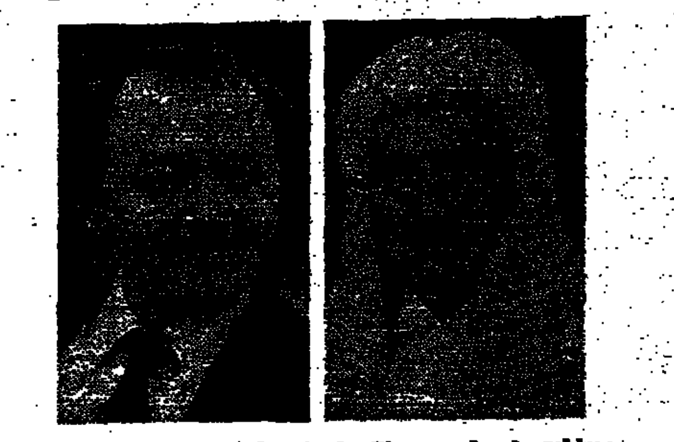
On Thursday, he wanted to challenge what he saw as an abuse involving the Prime Minister — but a serious accusation — but there were still business questions and a statement to come. It was 4.50 pm before Mr Alan Williams, the combative Labour spokesman on House of Commons affairs, was able to set out his party's objections to the turn of events.

In a brief exchange between the Speaker and MPs from both sides of the House, it was suggested that the only alternative to the current practice was to rule that points of order must be raised at the moment of alleged offence — as is the case during debates.

Mr Weatherill agreed that this "doctrine of the first occasion" was probably the only alternative and promised to reflect on the issue and consult widely.

The danger with such a change would be that a question time could be wrecked by repeated points of order — a tactic which could be used, for example, to ensure an awkward question was not reached; to override the Speaker's desire to move on; or by an individual *aggrieved at not being called.*

The problem for the Speaker is that he must either implement that system, with all its risks, or stick with the present procedure, complete with the gaping loophole exposed by Thursday's manoeuvre. Whichever he chooses, all his patience and firmness will be needed.



Mr Livingstone and Mr Weatherill: procedural problem

Fourth channels 'cost £750m'

BY RAYMOND SNODDY

THE ITV companies have, for the first time, released details on the cost of creating Channel 4 and S4C, the Welsh fourth channel, because of controversial comments made last week by Mr Jeremy Isaacs, Channel 4 chief executive.

They reveal that, by March this year, the companies had *invested £750m in Channel 4* and S4C compared with revenue of £400m for an overall deficit on paper of about £350m.

*Mr Isaacs told the In*corporated Society of British Advertisers that in the year to March Channel 4 had earned a substantial surplus for the ITV companies — £155m in advertising revenue compared with £139.9m in ITV funding. Mr Isaacs made it clear that this did not include start-up costs or Independent Broadcasting Authority transmitter rentals, but the remarks caused disquiet in ITV.

The issue is sensitive because the Government is considering allowing Channel 4 to sell its own air time to increase com*petition in broadcasting.*

At the moment the ITV companies sell Channel 4 air time and in return fund Channel 4 *and S4C with an annual sub*scription based on 17 per cent of their net advertising revenue.

Mr David Shaw, general secretary of the Independent Television Companies Association, says that when S4C, IBA loan repayments, transmitter rentals and the cost of selling Channel 4 air time are included, the total for the year is at least £214m.

The overall balance sheet of Channel 4 is difficult to work out because the ITV companies were able to set much of their early costs against payments of *Treasury levy on their profits.* No wthat Channel 4 is doing better the ITV levy payments are rising as a result.

Whatever the Government decides, the present relationship between Channel 4 and the ITV companies is *likely* to continue until the extended ITV franchises expire at the end of 1992.

Nissan UK offers incentives in sites hunt

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

NISSAN UK, the privately-owned importer of Japanese vehicles, is offering special deals to 75 land and property agents to speed its search for 50 sites for car dealerships which it wants to have in operation by the end of 1988.

Short-term contracts are being offered to senior partners of companies at key locations throughout Britain. The contracts offer a premium on top of normal agent's fees for the *executives to represent Nissan* UK exclusively in the search for sites.

Nissan UK already claims to be the largest vehicle retailer in Britain following an intensive dealer development programme. It claims to have the largest property portfolio of any vehicle distributor in the UK with £150m of capital invested plus £127m of working capital.

Since the dealer development programme was started two years ago it has set up 80 large car retailing outlets and 25 smaller concerns by offering low-cost loans and premises to potential Nissan dealers, mostly *former managers headhunted* from other franchises. Another 30 large sites have already been found.

The company, which expects to sell about 110,000 cars this year for a 6 per cent market share, has been strengthening the network in readiness for when Nissan of Japan builds up production at its assembly plant at Washington, Tyne and Wear.

There should be a surge in sales in 1988 when the Washington plant will produce about 40,000 cars qualifying as British for the first time. The 30,000 cars to be assembled this year from kits are deemed to be imports under the terms of the unofficial agreement restricting vehicle shipments from Japan.

Mr Stan Cholaj, Nissan UK assistant *managing director,* said: "It takes an unduly long time to find premises, obtain planning permission, build and then establish a successful business."

The special arrangements with agents should "speed things up enormously by locating facilities which exactly match our requirements and allow us to negotiate sensible prices and avoid property market inflation."

Nissan UK has established its own specialist property division under the control of Mr Michael Hunt, assistant manag*ing director.*

National Savings cash inflow rises to £42.5m

By Paul Cheeseright

THE NET cash flow into National Savings rose last month *for the first time since* February 1987. It was £42.5m compared with £15.4m in May, £18.2m in April, £98.1m in March and £166.9m in February.

National Savings has had only a minor impact on the retail savings market in recent months because of reduced interest rates.

As in the previous two months, sales of fixed-interest certificates remained low with a net outflow of £81.5m. Income bonds continued to attract savers with a resulting net inflow of £122.5m.

Including accrued interest, the total net contribution of National Savings to Government funding last month was £234.7m, against £174.9m in May and £195.5m in April.

Rolls-Royce seeks further jet engine trade with China

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE is pursuing a number of possibilities which could lead to further business *with China, including supplying* RB-211-535E4 engines.

The company says that China has put forward proposals for a 150-180 seat trunk airliner of its own following the purchase by the Civil Aviation Administration of China of Boeing 757 airliners with the 535E4 engines. "The country is interested in providing such an airliner and its engine on a co-operative basis with companies outside China.

"Proposals have been made by a number of aircraft and engine companies. Engines submitted include both the 535E4 and the International Aero Engines V-2500 (in which Rolls-Royce has a 30 per cent stake). The Boeing 757 is among the *aircraft types submitted."*

China aims to make a decision on the aircraft and engine to be chosen sometime this summer, according to Mo *Wenxiang of China's Aviation* Industry Ministry. It then hopes to complete commercial agreements with the companies chosen by the end of the year. Rolls-Royce also says China is interested in the RTM-322 engine for helicopters and for civil commuter aircraft, including a version of the Y-7 airliner produced at a factory north of Xian.

Another engine in which China is interested includes *the industrial Spey for pipe*line and power generation duties. Rolls-Royce has had close relationships with China for many years and has supplied Spey engines for Trident airliners, while China has also *built the Spey under licence* for military uses.

Export aid projects listed

BY PETER MONTAGNON, WORLD TRADE EDITOR

A LIST of about 16 projects in developing countries which *might receive funding under a* co-financing agreement signed by the UK and the World Bank last year has been drawn up by the Government.

The projects are mostly in the water, power generation and renewable natural resources sectors, in a wide range of countries including Turkey, Indonesia, Colombia, India and Pakistan.

The list was produced after extensive consultations between the World Bank and UK ministries involved in the co-financing agreement, which aims to provide exporters with up to £200m in business from World *Bank approved projects over* the next three years.

Under the co-financing agreement the UK is prepared to mix aid funds and Export Credits Guarantee Department cover available for part of the cost of World Bank projects in developing countries.

The aim is to secure for Britain a larger share of this business, worth $17bn (£10.6bn) a year in all. UK companies have lagged behind competitors in winning World Bank contracts.

Government officials hope the co-financing agreement will stimulate extra interest in bidding for the World Bank deals and UK Government involvement should enhance companies' chances of winning large orders even though *World Bank* contracts are open to competitive tender.

However, the list of possible projects has been restricted by the need to ensure they are ones in which UK companies have a serious interest, are in countries for which ECGD is prepared to provide cover and are schemes where there is a funding gap not being covered by the World Bank itself.

Electronic mail group to expand

By Terry Dodsworth,

TELEMAIL, the US-based electronic messaging company, is setting up in Britain with the aim of developing a public worldwide electronic mail service.

The company is a subsidiary of Consortium Communications International, which is controlled by the US Telenet group. It already has substantial operations throughout North America and Japan.

It aims to develop a global messaging and information distribution business that will allow users to communicate with each other. At present, most international electronic mail services tend to be run as *internal networks* by individual companies.

Mr Yaakov Elkon, president of CCI, said: "In addition to intra-company communications, Telemail intends to extend the reach of our subscribers to other public and private electronic mail systems."

The main public electronic mail service currently operating in Britain is Telecom Gold, a subsidary of British Telecom, which acquired the technology for the system form the US.

Telecom Gold claims to have about 76,000 subscribers. There are an *estimated 85,000* electronic mail users in Britain, generating revenues of about £2.4m.

Stock Exchange in shake-up

By Paul Cheeseright

THE STOCK Exchange has sponded to the higher level of business since deregulation with an internal reorganisation.

Mr Michael Baker, formerly head of the settlements division, has been appointed director of markets to take responsibility for consolidating, developing and promoting the four major markets—domestic and foreign equities, traded options and gilts.

The Stock Exchange is also setting up a marketing department to co-ordinate its promotional effort. No director has so far been appointed.

Information and settlement services are being brought together under a director of services, Mr George Hayter. The aim is to integrate more closely the development of computerised market systems and their delivery to customers. To give greater emphasis to the promotion of the Stock Exchange's primary markets and listings, Mr Stewart *Douglas-Mann* has been appointed director of primary markets.

Barry Riley examines how leading accountancy firms are operating within an increasingly polarised profession

Accountants cost the pros and cons of the megamerger game

ANOTHER BUMPER year for the accountancy profession has highlighted the big firms' commercial success at a time when there are increasing regulatory question marks. Moreover, headlong growth in some secondary areas contrasts with stiffer competition in the core auditing business.

Strategic issues continue to pre-occupy senior partners. The leading firms are weighing up the pros and cons of following Peat Marwick into the "megamerger" game, while some medium-ranking firms face a severe squeeze of the kind that has torn Armitage & Norton, the 21st largest firm, into three pieces.

This year's Financial Times accountancy league table shows that Peat Marwick has retaken the top spot in terms of fee income, *even before the merger* with KMG Thomson McLintock which took effect from April 1. Most of the figures in the table relate to the year ended March 31.

In 1987-88, the combined Peat Marwick McLintock firm will earn fees of well over £200m, and be the leader by a very large margin compared with the *pursuing pack,* led by Coopers & Lybrand.

On average the big eight leading firms last year raised fee income by 25 per cent, which must reflect rapid price inflation, as it is unlikely that chargeable hours can have risen by more than about 10 per cent.

Firms argue that the increases are partly justified by a greater proportion of high-valued added business, but pay levels have also been surging ahead, *by perhaps 10 per cent* to 12 per cent over the past year.

Competition for new graduates has intensified, and starting pay this summer is up from £8,000 to £8,750 at Coopers & Lybrand, and is £9,000 at Arthur Andersen.

Accountants are operating at the centre of the fastest growing sector of the economy, financial services. Mr Don Hanson, *managing partner of Arthur* Andersen, says: "The demand *out there is enormous in the* City and the financial community generally." Andersen, though only in seventh place, showed the fastest growth rate of all in 1986-87.

It employed 18½ per cent more people and increased its chargeable hours by 22 per cent. The firm is perhaps best known for its computer consultancy *business, which has enjoyed* extraordinary growth in the wake of Big Bang.

All eyes are on the progress of Peat Marwick McLintock. So far the integration of the two firms appears to have been reasonably smooth, and rival firms' hopes of internal ructions and client losses do not appear to have been borne out.

Mr Brandon Gough, senior partner of Coopers & Lybrand, *the displaced number one firm,* says: "We are still satisfied with *our growth over the longer* term. It is too early to say whether Peats are right or not."

If there are to be further firms, these are more likely to be among themselves, than involve the swallowing-up of second-tier firms. But a big eight combination would have to be justified by international considerations, as Peat Marwick-KMG was.

Apart from Spicer & Pegler, *which is determined to remain* independent, other firms in the lower part of the top 20 are probably too diffuse and diversified to be attractive to the big eight, which would risk too much dilution of their earnings per partner.

The profession is being polarised because of a steady loss of public company audits by second-line firms. *Increasingly,* companies are moving to the big eight, with their greater prestige and better international connections.

There is still plenty of business for smaller firms, but the middle ground is coming under pressure. Fee income growth for the second 10 has averaged 20 per cent, which may be an exaggeration of the real trend because of the effect of mergers and the inclusion in some cases of loosely-linked associates.

This year Binder Hamlyn, previously 12th in the league table, has merged with the 17th-placed Dearden Farrow, whose partners had suffered an earnings squeeze.

Armitage & Norton, which has experienced sizeable losses in management consultancy, has fallen apart. Peat Marwick McLintock picked up its Yorkshire business in a deal announced last month, but other former A & N offices have gone to Saffery Champness, a firm which ranks just outside the top 20, or chosen independence.

Auditing continues to be highly competitive. Big audits are fiercely bid for, with the successful contenders frequently accused of loss-leading. Meanwhile, even when auditors continue unchanged, as they normally do for many years, firms feel unable to raise charging rates as fast as in more buoyant areas like consultancy.

Although growth is continuing in most business sectors, senior partners anticipate a slight slowdown compared with the past year or two. Staff shortages continue to be severe, and compound growth rates of more than 20 per cent cannot realistically be sustained for long.

Rank	Firm	1986 (£m)*	Change 85/86 %	Non-audit fees (£m)†	Partners	Prof. staff	Prof. staff/partner ratio	Total prof. staff	No. of offices	Fees/partner ratio	Fees/total prof. staff ratio (£000)	Year end
1	Peat, Marwick, Mitchell‡‡	146.8	28.3	51.4	278	4,042	14.5	4,320	43	528.1	34.0	31.3.87
2	Coopers & Lybrand¶	143.0	19.8	77.0	310	3,266	10.5	3,576	37	461.2	40.0	31.3.87
3	Price Waterhouse	139.4	28.2	44.2	282	3,340	10.8	3,225	17	495.0	42.9	31.3.87
4	Deloitte Haskins & Sells**	121.1	22.0	53.3	244	2,916	12.0	3,160	24	496.3	38.3	30.4.87
5	Ernst & Whinney	100.7	21.5	n.a.	214	2,644	12.4	2,858	24	470.0	35.3	31.3.87
6	Touche Ross	93.6	22.4	48.4	221	2,287	10.3	2,508	23	424.0	37.3	31.3.87
7	Arthur Andersen	91.3	34.1	57.5	132	1,854	14.0	1,986	18	691.7	46.0	Apr. 87
8	Arthur Young	90.8	26.0	42.4	202	2,256	11.2	2,458	21	449.5	36.6	1.5.87
9	Grant Thornton	67.0	15.5	n.a.	267	2,151	8.1	2,418	56	251.0	27.7	31.3.87
10	Binder Hamlyn§	61.8	10.6	30.9	221	1,844	8.3	2,065	36	279.6	29.9	31.3.87
11	KMG Thomson McLintock††	60.4	21.0	21.1	141	1,798	12.8	1,939	22	428.4	31.2	31.3.87
12	Spicer & Pegler**	54.0	23.0	24.0	168	1,570	9.3	1,738	32	321.4	31.1	30.4.87
13	Pannell Kerr Forster	38.0	21.8	14.8	172	1,308	7.6	1,480	38	220.9	25.7	30.4.87
14	Moores & Rowland§¶	32.1	16.3	n.a.	180	1,034	5.7	1,214	42	178.3	26.4	30.4.87
15	Clark Whitehill‖	29.4	25.1	10.5est.	182	1,213	6.6	1,394	40	160.7	21.1	31.3.87
16	Stoy Hayward	27.4	30.2	10.5	92	902	9.8	994	9	300.0	27.8	31.12.86
17	Neville Russell	21.6	14.9	n.a.	74	571	7.7	645	21	291.9	33.5	30.4.87
18	Robson Rhodes	20.6	17.7	9.2	76	582	7.7	658	20	271.1	34.4	30.4.87
19	Moore Stephens¶	19.4	17.0	10.7	111	585	5.3	696	24	174.8	27.9	30.4.87
20	Hodgson Impey	18.0	9.1	n.a.	90	624	6.9	714	23	200.0	25.2	30.4.87

NOTES:
*Net of recoverable expenses. †Including tax, insolvency, management Consultancy. Audit fees include accounts and accounts related work. ‡Peat, Marwick, Mitchell and Co and KMG Thomson McLintock merged in 1987. Combined figures for 1986 would have been as follows: Fees £207.2m. % change 26.1%. Non-audit fees £72.6m. No. of Partners 419. No. of professional staff 5,840. Professional staff partner ratio 13.9. Total professional staff 6,259. No. of offices 46. Fees partner ratio £494,500 and fees total professional staff ratio £33,100.

§Binder Hamlyn's figures include Dearden Farrow who merged with Binder Hamlyn. Binder Hamlyn's fees increased by 18% while Dearden Farrow's decreased by 4%.

‖Includes exclusive associates; in the case of Moores & Rowland the figure without exclusive associates is £20.3m increase of 31% on 1985.

¶Figures for Channel Islands and Isle of Man are not included. Last year's growth figure may have been adjusted accordingly.
**Channel Island figures are not included. Growth figures may have been adjusted accordingly.
††Figures for KMG Thomson McLintock for both 1987 and 1986 have been adjusted to exclude those relating to an affiliate, Southwark Computer Services which was disposed of during the year.
NOTE: Peat Marwick McLintock is to absorb majority of Armitage & Norton. Partners & staff of its public sector practice and auditing and accounting practices in Yorkshire and Lancashire are to join Peat, Marwick McLintock on October 1st. The London, High Wycombe and Edinburgh offices are to join Saffery Champness & Co. The Loughborough and Leicester offices will continue to practice independently. The absorption of the major part of Armitage & Norton will increase Peat's fee income to £215.7m. Armitage & Norton's fee income in 1986 reached £13.8m which ranks Armitage & Norton 22nd.

Research by Jan Schling

THE MERCEDES-BENZ T SERIES: 200T, 230TE, 300TE and 250TD.

Mercedes-Benz prove it once again. An estate doesn't have to be ugly and boring.

You may choose a Mercedes-Benz estate for practical reasons but you'll soon come to think of it as an inspired choice. No other estate car is so admired. Then again, no other estate car is engineered like a Mercedes-Benz.

The T-series didn't start life as a saloon car stretched to accommodate extra loads. It started life as an estate car, purpose designed. And functional though it is, it's one of the most elegant cars in production today.

Clean-cut, sleek looks add significantly to its slipperiness, evidenced by a drag coefficient of just 0.34. An impressive figure when you consider the priority Mercedes-Benz put on the practical nature of an estate car. Other innovative technical achievements are equally significant.

Under the bonnet of the 300TE lies a powerful engine featuring microprocessor controlled ignition and electro/mechanical fuel injection. The single overhead cam, straight six delivers 188 bhp from its 3 litres and the four-speed automatic box has both sport and economy settings.

The performance, as a result of all this meticulous technical nurturing, is remarkable. Without any undue stress, to either engine or driver, the 300TE can gracefully exceed 130 mph. Should you wish to pass 60 mph in the shortest possible time it will take less than 9 seconds (manufacturer's figures).

The much sought after 200T and 230TE share the same aerodynamic good looks but have very efficient 2 litre and 2.3 litre, four cylinder engines, respectively. The 250TD has an even more economical 2.5 litre, five cylinder, diesel engine. To prove the point, official figures for the 250TD, 5-speed manual are 29.7 mpg in the simulated urban cycle, 48.7 mpg at a constant 56 mph and 36.2 mpg at a constant 75 mph. Yet the diesel is capable of over 100 mph (manufacturer's figure).

As you'd expect from a Mercedes-Benz the roadholding is very sure-footed. On all T-series the multi-link rear suspension system incorporates a self-levelling device, so irrespective of the load carried and the road surface, they retain their composure.

The wide-opening tailgate glides up and down on two gas-filled struts. It even has its own electric motor to pull it firmly shut. The exceptional load space has a flat floor, is clear of any obstructions and can be progressively enlarged to accommodate bigger loads.

Not only is there plenty of room for unusually long and awkward shapes but plenty of ways to fit them in. The rear seat can be divided and the front passenger seat folds back to give five different load space combinations.

Besides loads of room there are loads of seats. An optional, rear-facing, retractable row of seats suitable for two children, increases to seven the number of people a T-series can carry in comfort.

"Performance Car," who recently tested a 300TE against its two main competitors, called it "Superbly engineered and executed with a degree of attention to detail that neither of the others can match."

All this adds up to the T-series being not just a practical car but a desirable object, to boot.

Engineered like no other car in the world.

BJA/165/FT

UK NEWS

Kinnock's team emerges after jostle for posts

BY PETER RIDDELL, POLITICAL EDITOR

MR NEIL KINNOCK, the Labour leader, will unveil a major reshuffle of his shadow Cabinet – his chief parliamentary spokesmen – early this week after lengthy wrangling between internal factions.

The key posts of shadow Chancellor of the Exchequer and foreign affairs spokesman are expected to go to Mr John Smith and Mr Gerald Kaufman respectively, with Mr Roy Hattersley moving across, at his own wish, from the economy to home affairs.

Mr Bryan Gould, the party's campaign co-ordinator who topped the poll in last Wednesday's elections, is expected to become trade and industry spokesman. Mr Michael Meacher is likely to be employment spokesman, with Mr Gordon Brown, a newcomer to the shadow Cabinet, becoming shadow chief secretary to the Treasury dealing with public expenditure and tax matters.

The main arguments have concerned Mr John Prescott, who came second in last week's ballot, and Mr Denzil Davies, sixth. At the end of last week both had refused posts initially offered to them.

There have been rumblings among certain centre/left figures that they are receiving insufficient recognition in the allocation of portfolios in spite of the success of the Tribune Group in winning nine out of 15 places. They point out that the centre/right will occupy most of the senior posts.

Neil Kinnock: major reshuffle in key jobs

These manoeuvrings have accompanied continued post-mortems within the party over its general election defeat. The hard-left has underlined its opposition to the proposed constitutional change whereby candidates, including sitting MPs, would be chosen on a one-member, one-vote basis rather than by the smaller number of people on constituency general management committees. This change was narrowly rejected yesterday by the London Labour Party annual conference.

Mr Larry Whitty, Labour's general secretary, had criticised some local parties in London for the "pitfalls and own goals" which made the capital "the most dismal and disappointing region of all" in the general election. In particular, he criticised large rate (local property tax) rises and "inward looking sectarian conflict."

Speaking to the same conference on Saturday, Mr Gould gave a warning of the need "to avoid threatening to be macho through threats of resignation or breaking the law."

There has been some tension, though not differences of substance, between Mr Gould and Mr Hattersley after Mr Gould's recent prominence and a speech a week ago in which he urged a rethink of economic policy and a need to listen more to electors' wishes.

However, on Friday Mr Hattersley appeared to be questioning this view by saying that rewriting the manifesto on the advice of marketing men is "not the sort of politics I want to be involved in."

Mr Hattersley said the party could not be sold to voters with "the language of soap powders and dog foods." He added that "what we have to do is to stick to our Sermon on the Mount."

Rolls-Royce ready to decide on new RB-211 version

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE, the recently-privatised aero-engine manufacturer, is now close to going ahead with the development of a new version of the "big-thrust" RB-211 engine. This would enable it to remain competitive with its US rivals, General Electric and Pratt & Whitney, in the market for large airliners through to the end of this century.

The new engine, called the Dash 700, will be derived from the existing 524D4D version of the RB-211, raising its power output from 58,000 lbs thrust to 65,000 lbs, with possible further development to 70,000 lbs. Development cost is not revealed, but is likely to be at least £100m.

One potential early customer for such an engine – possibly even the first – is British Airways, which is now considering the Dash 700 as a possible engine for any McDonnell Douglas MD-11 long-range tri-jets it may buy to replace its existing ageing long-range Lockheed Tri Star fleet.

Any such BA deal would involve some 10 aircraft, worth about $1bn, of which the engine content could amount to about one-third. BA itself is now analysing the airframe and engine makers' proposals, and is expected to decide on its new fleet some time later this summer.

Rolls-Royce is obliged to consider improving the RB-211 for long-range work with big airliners, because of both the rapidly increasing competition from General Electric and Pratt & Whitney, and the growing demands from the airlines for bigger, longer-range aircraft.

GE is already offering the airlines an improved version of its CF6-80C2 engine, at just over 60,000 lbs thrust, for both the proposed MD-11 and Boeing 747-400 long-range airliners, and has said it can develop that engine up to 65,000 lbs. Pratt & Whitney is also offering its PW-4000 at 60,000 lbs thrust and over, for the same aircraft types.

By comparison, the latest 524D4D version of the RB-211, at 58,000 lbs thrust, though highly successful in world markets in Boeing 747-400 Jumbo jets, is close to the limit of its power. To get more thrust will involve major engineering changes, including a bigger fan at the front of the engine.

At the same time, however, those changes will generate additional benefits in further reductions in the RB-211's noise and fuel consumption.

Rolls-Royce believes that by giving the RB-211-700 the long-term potential of up to 70,000 lbs thrust, it will leapfrog the GE and Pratt & Whitney developments, giving it a competitive lead through to the end of the century.

This is essential, for the market for these bigger-thrust engines is large. Well over 1,000 airliners in the new McDonnell Douglas MD-11, Airbus A-340 and Boeing 747-400 series of long-range jets will be bought through the rest of this century, involving several thousand engines, and Rolls-Royce must match whatever GE and Pratt & Whitney offer.

Over recent months, Rolls-Royce has been studying the technical, financial and marketing issues involved in developing the RB-211-700, and has been in close consultation with McDonnell Douglas and Boeing.

The outcome of such discussions is understood to be favourable. A report on all aspects of the new engine is expected to go to the Rolls-Royce Board for final authorisation within the next two months.

Mr Ralph Robins, managing director of Rolls-Royce, says: "We fully intend the RB-211 family and its derivatives to be powering aircraft well into the 21st Century and beyond."

Unions plan radical reshaping

BY PHILIP BASSETT, LABOUR EDITOR

TRADES UNION CONGRESS (TUC) leaders are proposing a radical reshaping of the direction and operation of the TUC and Britain's 87 unions in the light of a rapidly-changing labour market and the Labour Party's general election defeat this year.

It amounts to the most extensive review of trade union operations since a so-called 'new realism' exercise, launched in the wake of Labour's previous election defeat in 1983.

The latest initiative, led by the TUC itself, is being directed in two ways:

● The entire role of the TUC is being examined to ensure that its resources, drawn from unions' tightened finances, are best directed at productive areas of operation. Linked to this is a decision to use the annual TUC Congress in September less as a debating, policy-making forum and more as a vehicle to promote what the unions see as a positive role of trade unionism in the UK.

● A confidential policy document, to be considered by union leaders on Wednesday, proposes measures aimed at countering a decline of union membership and rising non-unionism. It seeks to tackle an increase in employer strategies such as strike-free, single-union agreements or even full or part de-recognition of trade unions.

However, the latest initiative goes considerably further than that. Whereas the TUC's 1983 strategy document was mainly a series of questions about the role of unions in the 1980s, the new move offers hard answers, and a route for the union to follow.

Taken together, and coupled with some of the policy motions now being received by the TUC for the September Congress, the initiative will form a package of reforms which is likely to be the centrepiece of the Blackpool assembly.

The private document to be considered this week by the TUC's employment policy committee is headlined as having been prepared specifically by Mr Norman Willis, TUC general secretary.

It proposes that the unions should, in effect, turn away from increasingly-irrelevant macro-economic activities, and instead return to basics, putting forward a series of organisational measures which would for the first time in its history give the TUC a role in the recruitment and retention of trade union members, especially in areas where trade unionism is at present low.

Accountants' fee income surges 25% in year

BY BARRY RILEY

THE FEE income of Britain's top accountancy firms has surged by an average 25 per cent over the past year, according to a survey by the Financial Times.

A continuing boom in business sectors such as management consultancy, computer systems advice and accounting investigations in connection with privatisations and other flotations, as well as takeovers and mergers, has accelerated the already rapid growth rate of the profession.

But the high level of demand for skilled staff has triggered off rapid pay inflation, and senior partners gave a warning that although conditions remain favourable, the current year is likely to show a slightly lower growth rate for fee income.

The survey shows Peat Marwick regaining the top spot in terms of fee income, even before its merger with KMG Thomson McLintock which took effect from April 1 this year.

In 1987-88, of course, the combined Peat Marwick McLintock firm will earn fees of more than £200m and will be the leader by a very large margin over the next biggest firm, Coopers & Lybrand.

The survey also illustrates the way competition for new graduates has intensified. Starting pay this summer is up from £8,000 to £8,750 at Coopers & Lybrand for instance, and is £9,000 at Arthur Andersen.

Megamerger games, Page 6

Tory legislation 'could cut council spending by 30%'

BY RICHARD EVANS

SPENDING BY local authorities in England could fall by more than 30 per cent over the next five years if the Government goes ahead with all the legislation affecting the responsibilities of councils pledged in its election manifesto.

This is the estimate of Mr Howard Davies, controller of the Audit Commission, the local government financial watchdog.

He feels that local government is at a turning point because of Mrs Thatcher's *planned assaults on town halls* through bills on education, housing, contract tendering and rates reform.

The *independent* commission has made a series of assumptions on the impact of the proposed legislation and has drawn some *startling* conclusions on the results for local government in England.

Total expenditure of just over £30bn last year would drop to £20.9bn, a fall of more than 30 per cent, in the *lifetime* of the present parliament with just over half the reduction coming from education.

Implications for individual councils would vary widely, with average shire county expenditure of *£301m* dropping 34 per cent to £198m. The expenditure of a typical metropolitan district might fall by 35 per cent, from £221m to £143m. The shire districts would probably come off best in relative terms, dropping only 28 per cent, from £19m to £13m.

The impact on local authority manpower would be equally dramatic. The total number of full-time equivalent manpower employed last year was 1.9m and the assumptions show that this would be reduced to under 1.2m, a fall of 37 per cent, or over 714,000 jobs. It is stressed that *these jobs would not* be lost as most would be transferred to the private sector.

The assumptions on which the calculations are based include half of the school service *opting out* of local authority control and half of the remaining *expenditure being managed* by the schools themselves, and half of the existing housing stock no *longer* being council managed through a combination of sales, tenant management and housing action trusts.

In the six areas of local authority services to be subject to contracting out to private tender—refuse collection, street cleaning, building cleaning, ground maintenance, vehicle repair, and catering — it *is* assumed that a "modest" quarter of the work will go to private companies.

Mr Davies stresses there is no "magic" involved in the calculations. "They may be way off the mark but they give some idea *of* the *scale* of *change which could occur if* authorities do nothing.

He sees three possible strategies for local authorities in what promises to amount to a prolonged siege. First would be "trench warfare," which had not been a great success in the past; second would be to raise the white flag and surrender to government pressure; the third would be to meet the challenge by taking the initiative.

Among his suggestions are to trim voluntarily central overheads by setting up internal charging systems to keep central *services on* their toes; instituting tenant management groups in housing estates to improve services, persuading leading school governors and parents to stay within the local education authority if their needs were better met; and cooperating with the local inner city task *force*.

"The best of local authority service provision has nothing to fear from competition. The worst, *equally, would not* survive five minutes in the open market place," he warns.

Cambridge planners criticised

BY PETER MARSH

A GROUP of industrialists and other leading figures connected with Cambridge, Britain's leading high-technology city, have criticised planners for failing to provide for continued growth of science-based companies.

In a paper sent to Mr Nicholas Ridley, Environment Secretary, the group says the structure plan for Cambridgeshire, drawn up by the county council and due to be officially ratified next year, contains policies that "do not fully appreciate the long-term potential of the area and the already strong internal and external pressures for development.".

The document was drawn up by a committee including Mr Richard King, chief executive of Cambridge Electronic Industries; Mr Brian Long, managing director of Acorn Computers; Mr Matthew Bullock, corporate finance director of Barclays Bank International; Mr Graeme Minto, chairman of Domino Printing Sciences; Professor Gordon Cameron of Cambridge University's Department of Land Economy; and Mr Nick Segal, of Segal Quince Wicksteed, a Cambridge consultancy.

Cambridge has moved into the public eye because of the establishment in the city, mainly over the past 10 years, of some 450 technology-based companies in areas such as computers, instruments and *biochemistry. They account for* 17,500 jobs, equivalent to 13 per cent of the local workforce, which is twice the average for *high-tech employment in* Britain.

In its paper, the group says that the planning of the Cambridge area is important for the whole of Britain.

Failure to provide adequate resources for high-technology *companies and their staff could* result in existing firms in Cambridge expanding at a slower rate and new businesses *deciding to* set up elsewhere, perhaps outside Britain. This "would represent a lost opportunity for economic growth *of* precisely the kind that Britain badly needs."

The key issue for Cambridge, says the paper, is how to *provide for* high-tech expansion, while at the same time preserving the special characteristics of the city. The high-technology surge has increased traffic and house prices have soared as large numbers of highly-paid people have been attracted to work in the region.

The group suggests that if action *is* not taken to reduce some of the unfavourable effects of growth, the pleasant environment of Cambridge will be ruined, removing one of the aspects to the city that many of the high-technology companies find appealing.

The group says the solution is to siphon off some of the development to other attractive towns north of Cambridge, such as Ely, St Ives and Huntingdon, while at the same time permitting more house building on the city's northern outskirts. There is also, says the paper, a need for one or two satellite villages to cope with the pressure for more houses.

The draft country plan, due to undergo a public examination in October before being accepted, possibly with modifications, by the Environment Department next spring, is, according to the group, "permissive rather than positive" about the need to channel developments to these other towns.

As a result, growth could occur in a random, dispersed way, which could put more pressure on Cambridge and add to, rather than diminish, housing and traffic problems.

Oxford 'should create science park'

BY PETER MARSH

OXFORD should catch up with Cambridge and establish a science park to act as a focus for high-technology industry, according to a study by the Oxford Trust, a group of scientists and industrialists.

Oxford University, together with Oxford City Council, has considered for some years setting up a science park, so far with little sign of action. Cambridge, meanwhile, started its science park in 1973, providing much of the early momentum for the expansion in science-based companies there.

According to the Oxford Trust, a science park in the city could act as a magnet for new companies and cement links between academic departments and existing high-tech organisations around Oxford. Oxfordshire is home to several government research establishments and has a total of 186 science-based companies, according to a survey by Ms Helen Lawton-Smith, of the university's geography department.

The report says that being behind Cambridge in science parks may not matter too much. "Some companies have been attracted to Oxford rather than Cambridge because they feel that the process of science-based development is at a much earlier phase here."

The Science Park Issue in Oxfordshire. Oxford Trust, Osney Mead, Oxford OX2 0ES. £3.50

R and D workload increases says survey

By Michael Skapinker

TWO-THIRDS of research and development establishments report an increase in new project work and a similar proportion are optimistic about prospects, according to a report published today by Reward Regional Surveys.

The report, based on information provided in April by research associations and R and D departments of industrial companies, says 63 per cent of *respondents expressed optimism* about the future, compared with 47 per cent in 1986.

Sixty-six per cent reported an increase in new projct work, compared with 52 per cent last year. Fifty-five per cent said they had an increaso in inquiries, up from 50 per cent last year.

Half of those surveyed said they intended to increase staffing over the next 12 months. This was the largest proportion to do so in the four years that this question has been asked.

Basic pay in R and D rose 7.5 per cent in the 12 months to April compared with 5.1 per cent for similar grades in general industrial and commercial organisations. The *median basic salary for a research director in a company* is £33,950, while the holder of a similar position in a research *association would earn £28,215.* The median salary for an R and D manager in both a company and a research association is about £20,700.

Research and Development Survey 1987; Reward Regional Surveys, 1 Mill Street, Stone, Staffordshire ST15 8BA; £100.

Philip Stephens analyses pressure to loosen Treasury purse strings

Spending watchdog in tough scrap

MR JOHN MAJOR began his job as Chief Secretary to the Treasury with the traditional stern warning on the need for the Government to stick to its public spending targets.

His colleagues, the spending ministers, have responded in their time-honoured fashion, submitting bids for extra expenditure allocations totalling several billion pounds.

As the initial skirmishes in the public spending round get under way, the signs are that it is Mr Major who is in danger of ending up on the losing side.

It might have been thought that the Treasury's defeat in last year's bargaining — it was forced to add nearly £10bn to previously announced targets—*would have left Mr Major with* a relatively easy job. As the cash targets for the three years from 1988-89 come under scrutiny, however, it is clear that he has inherited an unenviable task.

The most obvious pressure comes from public sector pay

Recalcitrant local authorities, buoyant public sector pay, and a spate of pre-election promises have all contributed to the problems.

The table shows the scale. The original cash target for 1988-89 always looked difficult to achieve. With inflation slightly higher than anticipated, it now implies a slight fall in the volume of spending. That is something the Government has managed only once since 1979.

To secure it again, the present plans imply a real cut of nearly 3 per cent in defence spending, a freeze on the health service, a limit of ½ per cent on increased spending on education, and a cut of approach*ing 10 per cent in housing* allocations.

THE PUBLIC SPENDING SQUEEZE (£bn)

	1987-88 plans	1988-89 plans	1988-89 needed to match inflation
Defence	18.78	18.98	19.53
European Community	0.87	0.44	0.90
Employment	4.03	4.22	4.19
Transport	5.14	5.08	5.35
Housing	3.20	3.02	3.33
Education	16.60	17.35	17.27
DHSS—health	19.12	19.87	19.88
DHSS—social security	44.00	47.50	47.84
Home Office	6.21	6.42	6.46
Total (including other)	148.62	154.20	154.56

There is a contigency reserve of £5.5bn, from which perhaps £2bn could be allocated at the time of the Autumn Statement for priority programmes. That, however, would make only a small dent in the demands for extra cash *from spending ministers.*

The most obvious pressure, and one spread across a number of departments, comes from public sector pay.

Generous pre-election settlements for teachers, nurses, and lecturers, and the local authorities' offer of a double-figure settlement to manual workers in return for changes in working practices, are the clearest examples.

Although many of the deals are phased, and allowance was made for the teachers' settlement in the previous spending round, the average value of deals this year is running at close to 7 per cent, 3 per cent above the inflation rate.

The cash implications were reflected in the decision last week to allocate £370m from this year's contingency reserve for nurses' pay, and an additional £100m for teachers. Those extra payments are built into the base for next year's spending.

In terms of programmes, some of the strongest demands will come from the health service. *Demographic* trends and higher inflation in medicine than elsewhere mean that the health service probably needs a real increase in spending of 2 per cent a year just to stand still. It is faced with a freeze.

At education, Mr Kenneth Baker will argue forcefully that pushing through planned reforms of the system cannot be done without more cash.

The Ministry of Defence is expected to offset part of the impact of planned cutbacks through efficiency savings and a much-improved procurement system. The service chiefs, however, are unlikely to accept that the Treasury can impose a substantial real cut, when its pay bill has just risen by 6 per cent.

Social security expenditure, much of which is demand led, is likely to cause further problems. The Treasury insists that it has set more realistic targets *than hitherto for such outlays,* while the fall in unemployment should help relieve some of the pressures. Already this year, however, it has been forced to add £230m to its previous target. Next year's figure implies a real cut in spending.

The Government's much-vaunted inner cities initiative will probably result in bids for extra money from perhaps four or five departments ranging from trade to employment.

Running across the various departments is the problem posed by the Treasury's in*ability to control local authority* spending, which at £40bn accounts for about a quarter of all outlays. The target for 1988-89 suggests a fall of more than 1.5 per cent in the volume of spending, an out-turn that even the most optimistic in the Treasury concede is unachievable.

The expectation that the European Community bill will fall sharply next year is similarly unrealistic. It already seems likely that contributions *this year will be at least £200m* higher than planned.

Mr Major does have one or two things on his side. A buoyant stock market has pushed up the receipts from privatisation, which in the Government's accounting practices are regarded as negative public *spending. A decision to raise* the receipts target from the present £5bn to, say, £7bn in 1988-89 could keep a number of spending ministers happy.

A buoyant stock market has pushed up privatisation receipts

Last year's defeat may also have given him a more fundamental let-out. The Government's stated aim previously was to keep spending roughly constant in real terms. That was changed to ensure spending continued to fall as a proportion of national income.

This means the £154.2bn target could be raised by £2bn or £3bn while still allowing the Treasury to claim a fall as a proportion of national income.

The problem is that such a move would involve breaking the cash targets the Government had set itself for the second consecutive year and could, therefore, decisively undermine the system of cash planning which the Government has sought to establish as the essence of policy.

Who's afraid of re-entering Bretton Woods?

JOHN PLENDER

THERE IS good news for all those who regret the demise of the Bretton Woods fixed rate system in the early 1970s. A group of American businessmen and academics regards the possibility of a return to fixed rates as enough of a threat to justify the existence of a body called the American Coalition for Flexible Exchange Rates.

This Washington-based non-profit making body is apparently engaged in a study of the international monetary system. And in its publicity material it generously promises to "share its findings, beliefs and conclusions with Congress, the *Administration* and others through testimony, publications and symposia." Lucky Congressmen—though the more cynical among them will no doubt conclude that this altruistic-sounding formula heralds a ferocious lobbying *campaign by the American* Coalition for Flexible Exchange Rates for continuing volatility in the currency markets.

It is not hard to see why some of the people behind this rather esoteric example of American interest group politics should have been tempted to swing into action. Founding members included leading figures at the Chicago Mercantile Exchange. The big commercial banks such as Chase Manhattan, Chemical and Harris Trust are represented. So, too, are investment bankers Drexel Burnham Lambert of junk bond fame.

The Chicago folk have, of course, a powerful interest in promoting a high level of unfettered market activity in everything from tallow grease and pork bellies to currency futures. As for the commercial bankers, they derive *substantial profits nowadays* from foreign exchange dealing. Both they and the investment bankers also make big profits by offering their clients a plethora of new financial *instruments* designed to provide a hedge against currency *volatility—a job that* used to be shouldered primarily by central bankers —under the Bretton Woods regime.

For those who thrive on market volatility the warning signals have been flashing since September 1985. For it was then, at the Plaza Hotel in New York, that the group of five leading industrialised countries agreed on co-ordinated exchange rate intervention to bring down the dollar against the world's other main currencies.

The free marketeers argue, not unfairly, that this was simply a case of governments muscling in on the market's act, *since the dollar started* its long slide in February that year. The central bankers' come-back was also marred by the development of disagreements about where the slide should stop, and the anti-interventionists presum*ably thought their case vindi*cated by the apparent collapse of the yen-dollar pact forged by US Treasury Secretary James Baker and Japanese finance minister Kiichi Miyazawa at the turn of 1986.

Since the Group of Seven's Louvre Accord in Paris this year, however, it has been a very different story. As private capital flows into the US dried up, central banks took on the task of financing the bulk of the US current account deficit. Their initial efforts were accompanied by a fair measure of exchange rate volatility, which led the Bank for International Settlements, among others, to conclude that it was much easier for central banks to precipitate the realignment of a currency than to stabilise it. But since the annual report of the central bankers' bank went to press, the dollar appears to have stabilised.

This must rank as something of a triumph for the central bankers. For the timing of this successful operation was such as to guarantee them substantial profits. And having prevented the dollar from overshooting further downwards they have encouraged private investors, most notably the Japanese institutions, back into the market to take advantage of the increased gap between yen and dollar interest rates that has opened up since the beginning of the year.

At this point we should, perhaps, return to the American Coalition for Flexible Exchange Rates and acknowledge that its members stand for some heavyweight arguments as well as special interests. One of them, Mr Henry Reuss, former chairman of the House Banking Committee, puts the case in the following colourful terms. "If the governments of the great democracies will pursue sensible policies aimed at full employment without inflation for themselves and with an eye on how these policies affect their neighbours, the resulting flexible exchange rate system will work well. For these governments to fail to pursue sensible policies, and then cover up their failure by manipulating exchange rates in the name of international monetary reform would be a cosmic cop-out."

Mr Reuss' central point is that if governments get the balance of their fiscal and monetary policies right, the exchange rates will look after themselves.

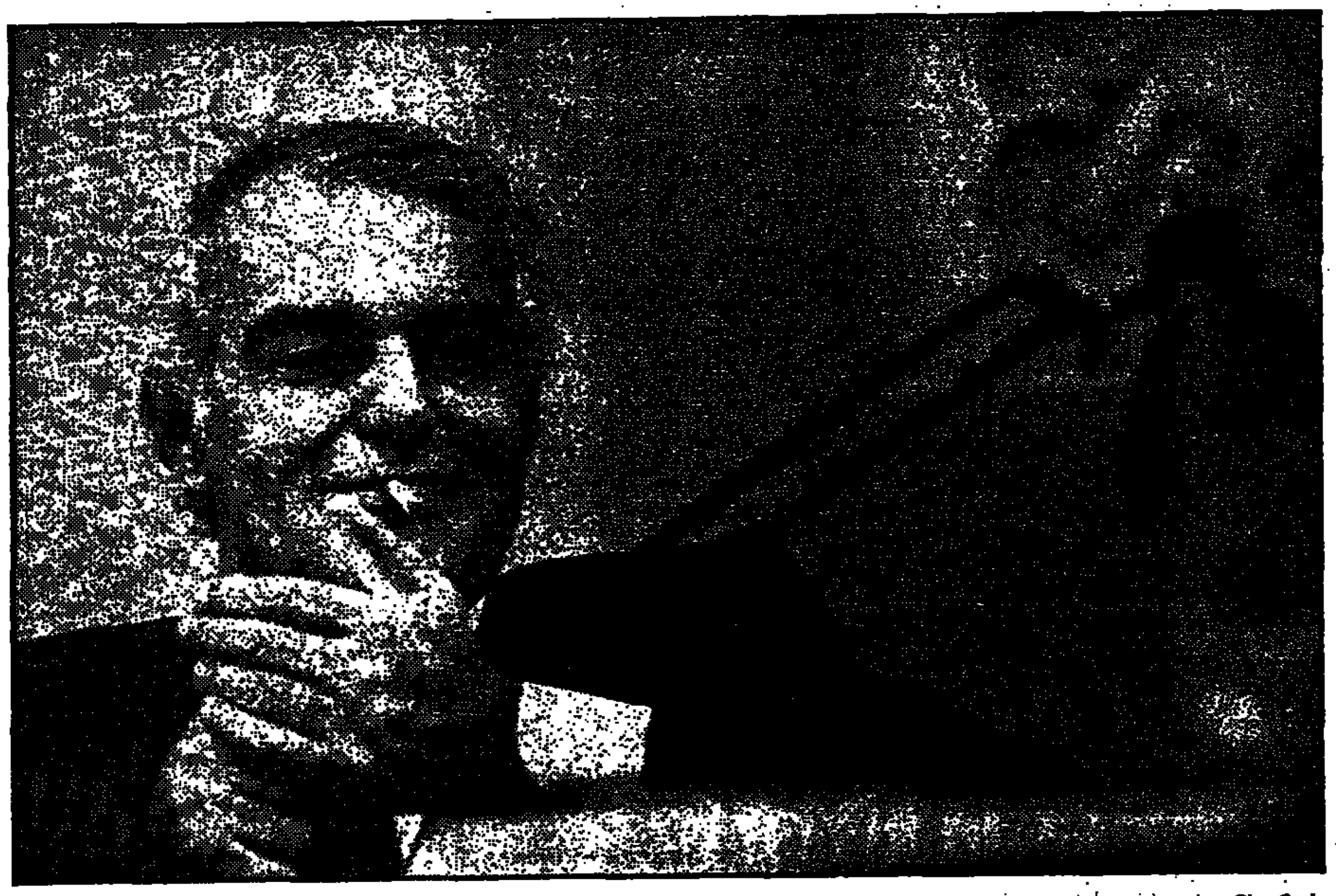
No doubt his opponents would argue that there is little evidence, since the collapse of the Bretton Woods system, to prove this assertion; and one thing we do know for certain is that the most rapid period of economic growth the world has ever known, which came in the aftermath of the Second World War, took place within the framework of fixed exchange rates.

That said, many supporters of exchange market intervention ought to acknowledge that Mr Reuss has at least got the broad balance of priorities right. If the trade disequilibrium between the US and Japan is a reflection of the underlying imbalance between savings and investment in the two economies, then exchange rate realignments will not be enough to resolve the trade problem. Without fiscal adjustment, exchange rate volatility will inevitably reassert itself and the central bankers may have to start all over again in less auspicious circumstances.

INTERVIEW

Down on the farm

Alan Friedman talks to Raul Gardini, head of Ferruzzi



Glyn Genin

IT IS just a few minutes past nine in the morning, but Raul Gardini is having a jolly old time. We are seated in an office in front of his 16th century palazzo in Ravenna, on Italy's Adriatic coast, at the world headquarters of Mr Gardini's Ferruzzi International agro-industrial empire. We are watching television. More precisely, we are watching a videotape of a lengthy interview which the 54-year-old billionaire has given to Italian state television.

I had planned to view the tape alone, before sitting down with Mr Gardini. But when he heard of this, he came bounding over to see the show for what must have been the second or third time.

Sipping his espresso and chain-smoking Camels, he does not flinch as he watches himself being asked whether he is a parvenu or how it feels to emerge, in less than two years, from "illustrious obscurity to become the second most powerful industrialist in Italy." Instead, Raul Gardini, the backwoodsman of Italian capitalism, chuckles and then drags ever more intently on his cigarette before suggesting that we go to his garden and "get to work".

The quiet elegance of his renaissance courtyard only hints at the power of a man who controls $20bn (£12.5bn) of stockmarket holdings, while the mansion's interior reflects his almost obsessive taste for things English: the Barbours, tweed caps and Burberrys in the entrance hall, the huge portrait of Sir Walter Raleigh in the study, the collection of antique English shotguns, a faithful English pointer — all the elements of a huntin', shootin', fishin' lifestyle.

Precious little has been publicly known until recently about Mr Gardini or about the previously discreet and secretive Ferruzzi empire, which was founded as a cereals trading company after the Second World War by Serafino Ferruzzi, Mr Gardini's late father-in-law. He died in 1979 when his Lear jet crashed into a house near Ravenna.

What is known — aside from the man's passion for sailing, his love of a newly acquired palazzo on the Grand Canal in Venice (said to have cost $7.5m) and his annual Christmas holiday at a 50,000 acre ranch in Argentina — is that Mr Gardini has been so active in recent months that he has even eclipsed his friend Carlo de Benedetti, with whom he has formed an important business and shareholding alliance.

● PERSONAL FILE

- **1933** Born in Ravenna
- **1955** Dropped out of university and began working for Ferruzzi
- **1957** Married Idina Ferruzzi, daughter of founder Serafino Ferruzzi
- **1979** On Serafino's death took over at the helm of Ferruzzi
- **1986** Launched ill-fated bid for British Sugar, formed alliance with de Benedetti
- **1987** Gained effective control of Montedison, acquired CPC International, expanded alliance with de Benedetti

Ferruzzi, with 10,000 employees and 1986 revenues of more than $8bn, is Europe's biggest sugar conglomerate, its leading grain and cereals trader and — with the recent $631m acquisition of the European operations of CPC — the largest corn starch producer.

In Italy, Ferruzzi dominates the soyabean market, is the largest concrete and cement producer and owns the biggest fleet of bulk carriers. The group's roots are in agriculture (*it owns 2.5m acres of land in* Europe, the US and South America). But by far its most spectacular move has been to acquire effective control (40 per cent) of Italy's second largest private concern, the Montedison chemicals, energy and financial services group. When Montedison's $10bn of annual turnover is added to the Ferruzzi group's, total revenues come to $18bn a year, not far from the $22bn of Fiat, the country's biggest private sector concern.

This is not bad going for a man who failed maths at 16, didn't like school much and never made it through university. Mr Gardini recalls that his father, a wealthy Ravenna landowner, was authoritarian. He says he has tried to be different.

He is speaking of how he began his career working for his father's best friend, Serafino Ferruzzi, when the telephone rings. It is Mario Schimberni, the Montedison chairman who is said to have been none too pleased at Ferruzzi's arrival as controlling shareholder.

Although he later heaps praise upon Schimberni and the Montedison management, Mr Gardini is polite and formal with the Montedison chief, calling him "Dottore Schimberni" and using the "lei" form of address, which in Italian is either a sign of respect or a way of keeping a discreet distance.

It is with the same polite reserve that he discusses Gianni Agnelli, the Fiat chairman who in 1985 received a rare rebuff from Mr Gardini, when he offered to sell him a 17 per cent share stake in Montedison. Although he harboured an ambition to take over Montedison even then, Mr Gardini told Mr Agnelli he was not interested and went on to buy control mainly in the market. "I am pleased I did it my way," he says with pride, adding that he feels more independent since declining Mr Agnelli's proposal, which included taking a stake in Gemina, a holding vehicle controlled indirectly by Fiat.

He speaks of the alliance with de Benedetti, which has seen the two men swap shareholdings in their holding companies and act as fellow shareholders in publishing, investment banking and stockbroking, as "a way of planting seeds." Will the Gardini-de Benedetti team do important things together in finance and industry in future? "Yes," he replies without elaborating.

Mr Gardini is described in Italy as someone who "thinks a lot and says little." It takes some probing to obtain something *approaching a clear response to* the question: why did he spend $1.6bn ($205m from the Feruzzi family coffers and $1.4bn raised on the stockmarket) to acquire control of Montedison?

There has been much talk of synergies between Ferruzzi's agro-industrial and Montedison's chemicals interests. Mr Gardini also mentions the "enormous potential" of Montedison's La Fondiaria insurance subsidiary. He agrees with analysts who point out that the yield on Montedison shares is less than a quarter of what can be earned by investing in Treasury bonds, but retorts: "I don't think a stockmarket investment can yield the same as Treasury bonds."

And he then declares: "I got Montedison cheaply. Look at what ICI paid for Stauffer Chemicals ($1.9bn). I value Montedison at many times its market capitalisation and I know of no other group in the world where you can spend just $1.6bn and get a range of holdings such as it has. Montedison," says Mr Gardini, "is an excellent investment, leaving immediate returns aside."

As he believes in the long term, how does Montedison fit into his vision of becoming Europe's leading agroindustrial concern and just what is this vision all about? He breaks into his trademark smile. He has come, at last, to his favourite subject.

"Let me explain. We wanted to be a leader in industrial agriculture, in protein and carbohydrates. Okay, we have now reached our goals in this area, and we are fulfilled in a sector which has limits. But, in a world of commodities, this can be a destination or a new point of departure. Montedison is our way of going beyond our initial goals."

But what are the goals? Mr Gardini becomes evasive and talks about a period of consolidation. When pressed, he speaks at length about the crisis in world farming, about excess supplies of grains and cereals and about his plans to position Ferruzzi "for growth or at least for stability." His favourite theme is the idea of transforming agricultural surpluses into industrial intermediates: the processing of ethanol (a petrol additive) is his most vaunted project.

But surely this idea is as uneconomic as the basis for his sugar empire—namely, the European Community subvention price? Not at all, Mr Gardini replies. The point is that there are 450m *tonnes of* surplus cereals in the world and politicians are coming round to the idea that something must be done.

As for the protected sugar and other quotas and price supports which help Ferruzzi earnings, *he answers that such* mechanisms exist because of dumping practices.

While talking of sugar he admits that he felt bitter about the decision by Britain's Monopolies and Mergers Commission to reject his bid for British

Gardini prides himself on his close ties with the soil

Sugar. "What left me feeling bitter was that the British took so long, over a year, to decide. They should learn to be more direct."

Directness is a quality which Mr Gardini sees in himself and he also prides himself on his close ties with the soil. He is known in Italian finance as *Il Contadino*, which can be translated politely as "the farmer," *or less so as "the peasant."* How does he feel about the epithet? The man who flies one of his five private jets to at least two or three European capitals each week shrugs and says he does not mind the term "because it symbolises many of our values."

"Actually I am more a farmer than a peasant. But as the word *contadino* means working hard with one's hands, and I have certainly been rolling up my sleeve lately, I suppose the term will do."

The law is failing the children

THE INCOMPREHENSIBLE maltreatment inflicted on so many children by their parents — the very people who owe them comfort and protection — presents a profound challenge to a civilised society. For a long time, however, society found that the *phenomenon* of child abuse was so unpalatable that it averted its eyes from the problem and failed to establish a comprehensive child protection service.

Recent days have brought signs of an abiding public awareness of a social problem that calls for calm study and careful legislation.

The judicial inquiry into child sexual abuse ordered by the Government in the wake of the Cleveland revelations is the latest in a series of child abuse inquiries over the past 15 years.

Also, last week brought the most decisive of all the rulings of the European Court of Human Rights against the British Government. Five local authorities in England and Wales were found to have violated two articles of the European convention on human rights when they failed to accord parents of children taken into care certain procedural safeguards about rights of access, and other official actions leading to adoption.

The Government largely anticipated the Strasbourg ruling in its white paper of January 1987, the Law on Child Care and Family Services (HMSO), the product of a three year long review of child care law following a report of the House of Commons select committee on social services.

The various inquiries in progress will address the central issue of the nature and extent of official intervention in the lives of some families in the name of child protection. Over the years, fairly comprehensive administrative arrangements have been established for detecting and following up suspected cases of child abuse. But there is a good way to go before the number of such cases can be reduced to a minimum.

The public has blamed social workers primarily for failure to prevent serious harm or death to children at the hands of *their parents. Some would say* that social workers have been picked on as society's scapegoats. But since 1970, the law has consistently placed the task of investigating cases of suspected abuse—and taking children into care—exclusively on social services departments of local *authorities*.

In *fulfilling* that role social workers have been caught up in the cross-fire of competing public demands. Parents vociferously claim the right to rear their children without interference from public authorities. The interests of children, on the other hand, demand effective protection from abusing parents—an interest which can be advanced only by agencies of government.

Recent studies and *inquiries* have demonstrated that while social services are the main agency for child protection, much depends on the work of auxiliary agencies. General practitioners and hospitals have needed to be more alert

JUSTINIAN

to reports of suspected abuse and they have generally responded well. Improved medical techniques for detecting sexual abuse which in the past went unnoticed and undiscovered have aroused greater public concern.

Unlike physical abuse, which is readily detected, sexual abuse is often not easily discernible, and detection may depend on observing interactions within the family. A proper assessment of sexual abuse ought not, therefore, to be confined to examination in a medical setting but should be made primarily in the home.

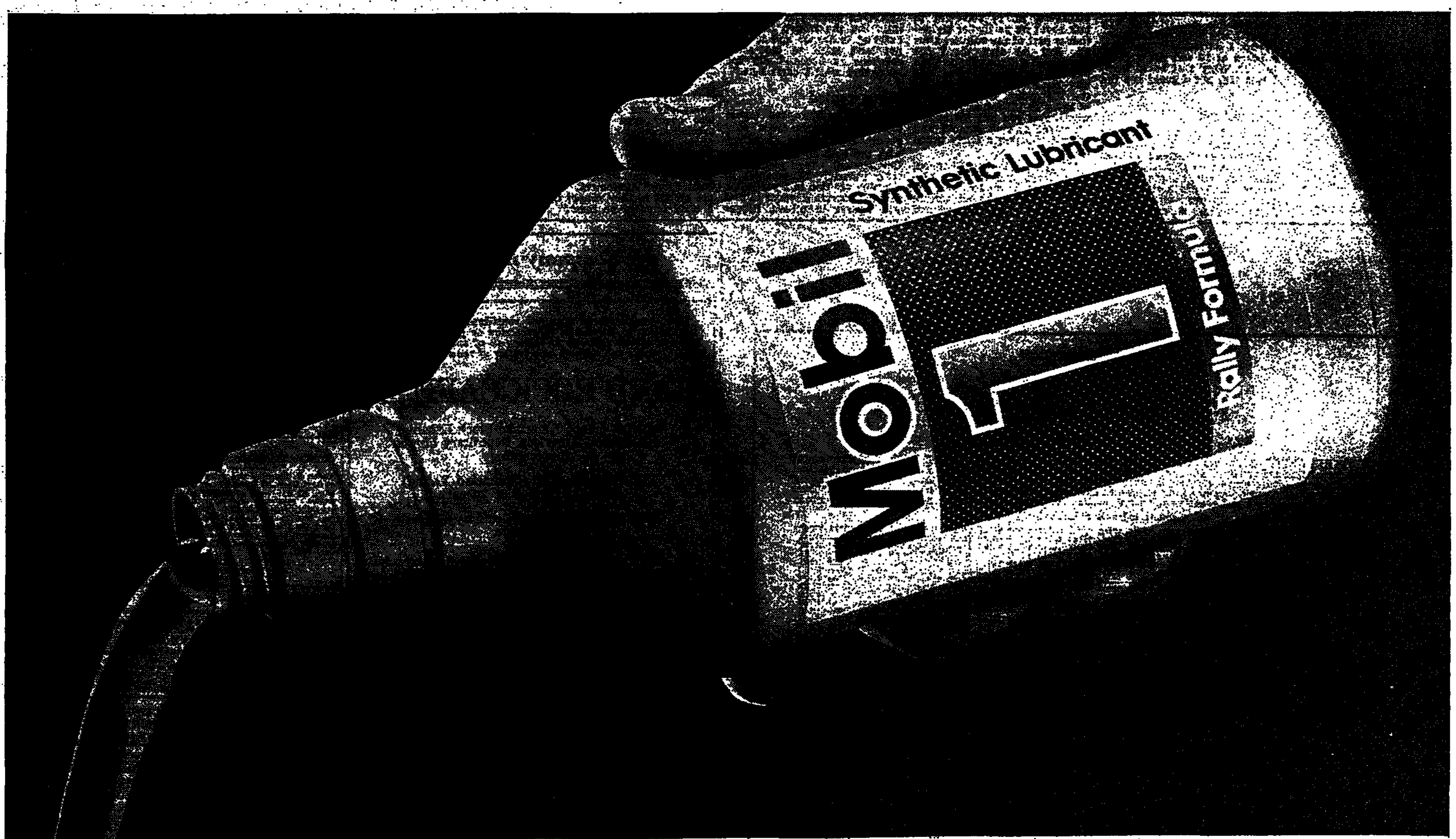
Health visitors *provide* the other front line agency for preventing child abuse. The proclaimed, fundamental aim of the health visiting service is to fulfil a preventive and educative role. Health visitors have been taught to regard *their task in that light*, and not to become engaged in crisis intervention. This is now changing. It is becoming recognised that the most effective way of preventing harm to the health and development of children — particularly those under 5 years who do not come under the school health service — is precisely to intervene in a crisis.

What emerges from this is a growing acceptance—and not just by way of lip service—*of the need for a multi-disciplinary* approach. Health visitors are increasingly alive to the fact that they are better able than social workers to gain access to the "unseen" child in the home: social workers are widely regarded by parents as invaders, come to take their children into care; health visitors do not arouse such hostility. They are perceived as agents of a caring medical service that has no such interventionist ambitions.

This realisation is propelling *the health services towards* the creation of a joint child protection service that will work effectively in the interests of children at risk of parental abuse.

Here the law is vital as the provider of a clear framework *within* which social and *health* agencies can operate. But the existing law lacks both clarity of purpose and effective provisions. For example, there are currently no fewer than 20-odd ways in which a child can be taken into care, and a good deal *of the legislation* leaves those who have to operate it in doubt as to what it actually provides. It is the product *of* piecemeal legislation over the last 50 years, and there is an urgent need to bring it into a single code.

Nigel wins by artificial means.



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MANAGEMENT

Avon Rubber

Reviving punctured fortunes

Alice Rawsthorn explains why the UK tyre maker is undergoing a comprehensive shake-up

"FOR YEARS Avon Rubber had limped from one crisis to another," says Tony Mitchard. "Somehow we managed to survive. But the best thing we could say about ourselves was that we were damn good survivors."

When Mitchard became chief executive early last year he realised that the British company had to change. Avon, based in West Wiltshire and a manufacturer of tyres since the turn of the century, had hauled itself through the turbulence of the tyre market in the 1970s and early 1980s—but only just.

In the last year and a half Avon has embarked upon a major efficiency programme. Management consultants have been drafted in to look at every area of the business. The company is now in the throes of implementing their recommendations: jobs have been lost, roles redefined and new systems devised to ensure that each production plant works as efficiently as possible.

The programme has had its fair share of problems but Avon can already discern radical improvements in productivity and a tangible change in the culture of the company.

After years of crises Avon hit the nadir of its fortunes in 1982. *For decades it had struggled, as a small tyre producer in the south-west of England, against the multinationals like Dunlop and Michelin: but in 1982 these problems were compounded by chronic overcapacity within the European commodity tyre market.*

Avon came close to collapse. Like many British companies at the time it had no option but to rationalise. Tyre capacity was cut by a third and more than 800 people made redundant.

These cuts solved the immediate financial problems. Avon then *broadened its business base* by diversifying away from commodity tyres—where it could not compete with the multinationals—into specialist tyres. It also augmented other product areas such as industrial polymers. Many were long-established Avon businesses but had been under-developed in the past.

As a result Avon's financial performance has improved markedly. Profits have recovered throughout the mid-1980s — rising by 35 per cent to £6.1m in 1985-86 and doubling to £5.4m in the first half of the present year.

Ostensibly Avon had completed its recovery 18 months ago. Behind the scenes, however, the picture was less benign.

"*By our old standards we were doing very well,*" says Mitchard. "But we were working within extraordinarily favourable conditions. None of the fundamental problems had gone away. If another crisis came along it would probably be our last."

He identified the key problems as the inefficiency of Avon's production process and the defeatist mood of its management. He was also concerned that the company had become too stodgy. As the dominant employer in West Wiltshire the turnover of its staff is very low. *Most of its managers are long-serving employees.* Tony Mitchard is no exception; at 53 he has spent his whole working life at Avon.

The only solution, as he saw it, was a radical overhaul of the company to improve production efficiency and galvanise the management team. He felt that Avon had neither the resources, nor the will, to conduct such an overhaul internally. In autumn 1985 a management consultancy was drafted in to stage a pilot scheme at a small plant in Trowbridge.

The consultancy began by analysing the shortcomings of the production process. Many of the problems identified were relatively simple, such as the small "privileges" and "*abuses*" *which creep into any company* and swiftly become an accepted part of the production process.

Employees were allowed to finish their work three or four minutes before the end of a shift, for example, which meant that time was wasted because machinery was not running when the new person started work. Similarly two people often performed jobs which could easily have been done by one.

These anomalies were insignificant in themselves but taken together eroded the efficiency of the plant. This, in turn, contributed to a loss of management authority.

The consultants not only reviewed the plant's production system but scrutinised the role of management. A "performance profile" analysed the attitude and work of each manager. Many complained about the erosion of their authority and a lack of support from the board.

The managers were asked how much of their time they spent in active management. Most guessed 80 per cent—the consultants, on the other hand, gauged the average level of "active" time to be just 40 per cent.

The new systems were structured to eradicate these anomalies — to ensure that every area of the plant operates as efficiently as possible all the time — and to restore managerial authority. The number of eight-hour shifts at Trowbridge was reduced from three to two and its workforce cut by 30 per cent.

Avon has since extended the scheme to its largest plant, the tyre factory at Melksham, and to an industrial polymers factory in Chippenham which manufactures defence-related products like hovercraft skirts and diving suits.

This part of the programme has been more complex given that these sites are larger and the production processes more varied. It has been implemented in seven stages, beginning in January and ending next month, and involves the loss of 550 jobs from a workforce of 2,400.

The job losses are only part of the programme. The remaining employees face a dramatic change in working practices *involving a redefinition of jobs* and multi skilling. Working hours are tighter, time-wasting breaks have been eradicated and the working environment is more disciplined. Avon has sugared the pill with a 10 per cent pay increase for all remaining workers. It has also seized *its chance to overhaul the pay* structure and has harmonised pensions and rationalised pay grades.

Given that job losses are always emotive, especially at a time when a company appears to be doing so well, Avon has been at pains to communicate the reasons for the changes to its employees.

By and large the workforce received the job losses remarkably well. As Terry Fell, branch secretary of the Transport and General Workers, the largest union, says, few employees harboured any illusions about the state of the tyre industry or about Avon's long-term problems.

The commonest complaint from the workforce was that Avon should have implemented an efficiency programme far earlier, preferably during the 1982 cuts. But as Mitchard points out the company was then struggling for survival. It lacked the financial and managerial resources to effect such ambitious, and expensive, changes. The present programme will cost more than £10m.

The initial decision to call in an outside consultancy was unpopular. Managers *perceived* it as a threat to their authority, while management and workforce alike complained that the consultants were "abrasive" and "disruptive."

As Rod Pottow, personnel director of Avon Tyres, says, some of the "inefficiencies" proved more difficult to tackle than the consultants' theory suggested. At Melksham some workers were used to taking showers 20 minutes before the end of their shift. The new rule that showers should be taken outside working hours has caused prolonged discontent.

Demand for Avon's products has been buoyant since the start of the programme. This has enabled it to reduce the number of planned redundancies—from the original 730 at Melksham and Chippenham to 550—and, perhaps perversely, to embark on a new staff recruitment programme.

But this has posed a parallel problem in that the remaining employees have been reluctant to work overtime during a period in which colleagues are losing their jobs.

But by and large the programme is deemed to be a success. Productivity has improved by 60 per cent at Trowbridge and by 40 per cent at Melksham and Chippenham. Mitchard is also confident that the culture of the company has changed and that its managers are both more disciplined and more dynamic.

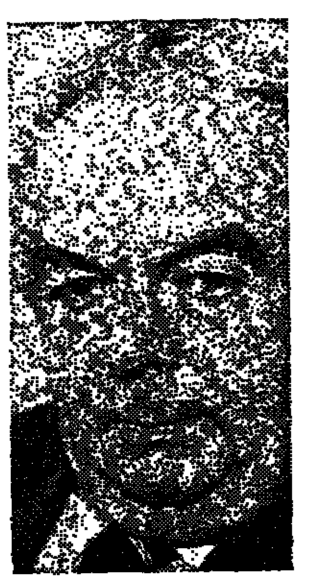
The City certainly seems to approve. Avon's share price has already doubled since the start of the year. Peter Deighton, engineering analyst at stockbrokers Hoare Govett, cites the efficiency programme as being crucial to Avon's re-rating.

Avon is now in the throes of *extending the programme into* its plant at Bradford-on-Avon. It will then embark upon a "quality programme" to raise standards of service in every area of operation ranging from senior executives to the telephonists on the Melksham switchboard.

Tony Mitchard: specialist tyres are part of broader base

A sudden leap into forbidding seas

John Lister tells Hazel Duffy exactly how different fibres are from shipbuilding



John Lister: Hoist with own petard

JOHN LISTER ceased to be chairman of ICI Fibres division on March 31. One month later he found himself chairman and chief executive of British Shipbuilders.

Neither move was planned. After 30 years with ICI, he was without a job, one of the high-level losers in the management reshuffle which followed on the consolidation of divisions. "In a way I was hoist with my own petard. I started at Fibres with a board of 10 and got it down to four. When that board went, I was sad, but I could see the logic."

Reluctant

At 56, he has made a career change that, at least at first sight, seems dramatic. How does a lifetime in chemicals, and a huge company in the private sector which has a strong culture of its own, make a man fit to take on one of the most difficult jobs in the public sector?

Like other former ICI managers, he is reluctant to talk about its particular style—that is part of the culture, after all. But he says there are "extreme differences in the business philosophy and the way businesses operate within the ICI group. One advantage of being in ICI for as long as I was is that you had the opportunity of moving around and operating across a fairly broad spectrum."

When asked by Paul Channon, then Trade and Industry Secretary, to take on British Shipbuilders, he envisaged certain similarities in that industry and in fibres as they used to be—"depressed markets worldwide, over-capacity which means depressed prices and low earnings. But the trough for shipbuilding is deeper and it does not lend itself to the same solutions as fibres. I did not know that until I came here."

Fragmented

The major European textile producers — there were only about eight—came together, with the help of the European Commission, to restructure their industry. "Companies in a strong position in a particular product became stronger in that and weaker in others. Bigger businesses emerged making a smaller number of products, and concentrated resources on research and development.

"In shipbuilding, it is different. The industry is fragmented in Europe into over 100 yards. It is not as coherent, which means one is starting from further back. The trade association is not as strong. *Everybody can build more or less every type of ship,* so specialisation along the lines of fibres is more difficult. And whereas there could be an attempt to control Far Eastern imports by mechanisms like the Multi-Fibre Agreement, ships are mobile so they cannot have a tariff imposed on them."

John Lister turned ICI Fibres from a loss of £80m to a profit of £50m in eight and a half years. No doubt his management record impressed the Government when it was looking for a chairman to succeed Philip Hares at British Shipbuilders, who had to retire unexpectedly because of ill health.

Importance

After ICI, he had not wanted to retire. He would have liked to have been director of the Science Museum where he could see all sorts of gaps in the preservation of Britain's industrial history — but that job did not come up at the right time. The alternatives were running something in manufacturing, or the usual fistful of non-executive directorships.

A big, straight-talking Yorkshireman, who joined ICI at the Wilton complex on Teesside, he shares the same definite views of the importance of manufacturing industry to Britain as Sir John Harvey-Jones, his former chairman, whom he values as a "good friend." As it happened, they both left ICI on the same day.

"I am a firm believer that we must buy some things, make some things, and sell some things. And by definition, successful businesses sell more."

Nowhere could that task be more formidable than at British Shipbuilders. He is impressed by the "technological excellence in the industry. I perhaps had the impression that shipbuilding in Britain was always a generation behind but that is just not true".

Scope

The problem is the state of the market. There is scope for greater efficiency — "there always is"—and he believes that more progress can be made in this direction now that industrial relations in the industry at last are good.

"At the end of the day, a business is about making money, and that means finding ways of meeting standards at lower costs." The way in which that is to be done is firmly in John Lister's hands. He intends to throw himself into the job, despite the fact that he knows — *although he would never say so* — that if British Shipbuilders had been in the private sector it would not be in business at all.

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Sydney: *Editorial* Level 49, MLC Centre, Martin Place, Sydney, NSW 2000. Tel: 232 6320. Telex: 23650 ATTN. F.T. Fax: 221 6220 ATTN. F.T.

Tokyo: *Editorial* 8th Floor, Nihon Keizai Shimbun Building, 1-9-5 Otemachi, Chiyoda-ku, Tokyo. Fax: 245 0358. Tel: 03-241 2920/2959. *Advertising* Kasahara Building, 1-6-10 Uchikanda, Chiyoda-ku, Tokyo. Telex: J27104. Tel: 03-295 4050.

Washington: *Editorial* 1225 Eye Street N.W. Suite 910, Washington DC 20005, U.S.A. Tel: (202) 289 5474. Telex: 440034/904153. Fax: 289 5475.

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THE ARTS

Plump Jack/San Francisco

Timothy Pfaff

It's gratifying to consider that the wealthiest man in America composes opera. That, combined with Gordon Peter Getty's uncommonly generous support of the arts lent considerable interest to the world premiere on June 26 of his latest concert opera, *Plump Jack*, commissioned in 1982 by London's International Shakespeare Globe Centre. (The BBC Philharmonic gave the work its European premiere at the Festival Hall last Friday.)

Getty's opera was presented by the San Francisco Symphony as part of its New and Unusual Music series. Although strictly neither (only the last of its four scenes was heard for the first time) it could be considered unusual in that its composer intended it to be accessible to the broadest spectrum of its audience. First bar to last, there was scarcely a dissonance to perturb the most conservative listener. But if far from adventurous, *Plump Jack* did emerge a thoughtful, well-made work, polite to the point of being self-effacing.

Although Getty counts Verdi and Richard Strauss among the strongest influences on his compositional style, the orchestral writing seemed more reminiscent of Puccini, with occasional echoes of Benjamin Britten to assert its modernity.

What most sets *Plump Jack* apart for other recent operas that pledges allegiance to tonality is the uncompromised gratefulness of the vocal writing, which determines the score as a whole. The fact that the singers are never asked to strain results in a remarkable (one almost wants to say unfamiliar) clarity of word, at a low cost to overall expression.

The texts of the four scenes are taken verbatim from Shakespeare, one each from the *Henry IV* play and two from *Henry V*. The scenes chart Falstaff's decline and together provide a most curious view of the title character. What Getty has managed is nothing short of "The Tragedy of Falstaff."

The work's flaw is, however, not that, but its brevity. It lasts little more than an hour, and Sir John himself is absent from from the last, in which his death is (poignantly) described. That proves to be too little time for *Jack* to exert his wonted charms. However ironically, *Plump Jack* turns out to be too slight a work; as easily as the music slips douw, the story slips away.

The performance, attentively conducted by Andrew Massey, made the strongest possible case for the work. Outstanding in an altogether able cast were John Del Carlo, Getty's Falstaff *in each of the work's preliminary outgoings*, and the vivid, excelent Paul Sperry as Hal/King Henry V.

Having written his first opera on the subject of Verdi's last, Getty has slightly, if laudably, overreached his grasp (he has said he has his eye on *King Lear* as well). What nearly eclipsed the premier was the announcement, by Getty, that San Francisco Opera has commissioned an opera on an Arthurian subject from hi.

That Summer/Hampstead

Michael Coveney

The title of David Edgar's new play refers back to the miners' strike of 1984. A well-meaning Oxford history don, Howard, and his Posy Simmonds-ish wife, Cressida, have taken a holiday cottage in North Wales. Howard has been preparing a Spanish Civil War programme for TV, while Cressida, a chiropractor, has been sending food parcels to *picket lines. Practical* commitment has also overtaken political awarenes in the invitation, issued by Cressida, to a couple of teenage girls in the South Wales mining valley to spend the holidays with them.

The household also includes Howard's sullen public-school-attending son by his first wife, and a refugee Geordie reluctant to face his own homosexuality. The culture clash is represented by the girl's giggly refusal to try Howard's barbecued shishkebabs; and by Howard's dumb conviction that people who strike must be acting on historical examples. Young Frankie (Catherine Tregenna in a notable professional debut) employs her skating hobby to illustrate the chasm: Mrs Thatcher seems to be skating on people's faces; you (Howard and Cressida) look on, while we (the mining families) look up.

It is an arresting speech and it summarises Mr Edgar's intention or articulating the differently motivated impulces behind political protest. The piece is constructed on an intimate, conversational scale in severe contrast with *Maydays* (1983), the RSC Barbican epic in which the splintering of the British Left in the 1970s was viewed on a large "Real World of Politics" canvas. But Howard, who is a fatuously comic *Maydays* relic, recalls at the end another "that summer" in 1967, when a trivial but vivid social gesture by his first wife in Edinburgh is set against the tearing up of US Army draft cards and the desperate last resistance of Che Guevara.

Michael Attenborough's production *keeps the tone moderate* and light. Easily the best scene is at the start of the second act: marital conflict is turned into an ideological baiting game. The texture here is new for this playwright, and the dialogue, flecked with sexual recrimination and the voice on TV of David Coleman adjudicating hysterically between Coe and Cram in the Olympic final, is handled with small-hours truthfulness by Oliver Cotton and Jessica Turner.

Mick Ford's Geordie Terry is the chief victim of thinner writing elsewhere, but he comes alive while dressing the injured foot of one of the girls (Caroline Berry) and recalling an ecstatic march for jailed dockers in 1972. Everyone harks back, rather, apart from glum young Daniel (named after "Danny the Red", Cohn-Bendit) and the girls. Cressida's do-gooding has extended to becoming possibly pregnant by "a Trot at Cowley." Howard finds her pregnancy test in the fridge behind the yoghurt and fettucini and assumes it belongs to the girls—he, it goes without saying, has had a vasectomy.

As a domestic comedy, *That Summer* makes a refreshing change. It is also of much interest in showing Mr Edgar refining his wayside observations on the long march to middle age and, you never know, the West End. Sue Plummer's design is certainly seductive enough, a scrubbed cottage dining area encased in a lovely panoramic vista of greyish pink Welsh sea and sky (lighting by Gerry Jenkinson) and an amazingly realistic stone wall folly smeared with moss and lichen. No expense spared, I should think.

Arts Council appointment

The Arts Council has appointed Dr Alastair Niven as its new literature director. At present a member of the Arts Council's advisory panel on literature and a member of the ethnic minority arts monitoring committee, he will take up the post in the early autumn.

Untended romanticism among the headstones and statuary of the Brompton Cemetery *Alan Harper*

Architecture/Gillian Darley

Grave responsibility in the cities

Victorian cemeteries are among the splendours of our major cities: Glasgow, Bradford, Huddersfield and Norwich all have examples. If you did well in life, you went out in style. Mausolea, catacombs, Greek or Egyptian temples, the structures of death were mansions in themselves. Moderately affluent men and women were marked by humbler structures, laden with appropriate symbols of sorrow. The broken column, the weeping willow, the veiled beehive, were potent evocations of brisk lives now ended.

From the 1840s, the burial companies followed advice given in countless articles and books offering detailed guidance on landscaping and planting: cypresses, poplars and evergreen species were popular and various plans were suggested, from the very formal to the studiedly picturesque.

Now most cemeteries only take burials for members of families with existing rights. The vast majority of memorials are not claimed or maintained by living relatives; they have become, quite simply, monuments. The cemeteries, then, are historic sites. How should they be considered? Are they parks, nature reserves or still sacrosanct, despite the long period of neglect that most of them have suffered?

The Department of the Environment is responsible for one of the most important of the capital's many cemeteries, Brompton, in west London. One might imagine that here, at least, an example might be set. But, administered by the Bailiff of the Royal Parks, it has the air of being a responsibility carried out dutifully. No imagination has gone into its presentation in the 1980s.

Local residents recently founded the Friends of Brompton Cemetery, in order to push for more conservationist policies and a greater awareness of the potential of the cemetery. One of their worries is that the maintenance is in the hands of a skeleton staff, so to speak, while the slack is taken up by Manpower Services Commission-funded teams who come and go. Gravestones with still legible inscriptions have been broken up, while herbicides control vegetation.

The Royal Parks could do worse than study the way in which Norwich City Council looks after the Rosary Cemetery of 1821—the very first in the country. Here, after intervention from a similar group, there is a replanting programme since the first generation of cemeteries has reached an age when the trees are fully mature. There is also a mason employed full-time on a rolling programme of repairs to deteriorating monuments in cases where no family has shown interest. At the Brompton Cemetery, despite the care lavished on the chapel and colonnades, no repairs whatever are done on graves.

They do these things differently on the continent, however. In Peter Syme's forthcoming BBC2 series *Loving Memory* (from this Thursday) little point is vividly illustrated in the comparison between the state of Nunhead and Kensal Green cemeteries in London with that of Père Lachaise and Staglieno in Paris and Genoa respectively. There municipalities take their responsibilities much more seriously, while the care of graves is essentially a family duty.

Cemeteries fall between policies, being both historic landscape and architecturally significant. Groups such as the Victoria Society are concerned for their future—at present determined by the whim of their owners, private or public. On the whole, the British have long been admired for legislation for the protection of historic buildings. Things do, of course, go wrong but the villains are generally recognisable figures: the arrogant landowner, the unscrupulous developer, the ignorant architect.

Within the complex mesh of government bodies there several responsible for listed buildings. n England the Property Services Agency carries out work on historic buildings for various arms of government, among them the Museums and Galleries Commission, the Royal Parks and Palaces, the Historic Buildings and Monuments Commission (English Heritage). Evidence presented earlier this year to the House of Commons Environment for its report on the PSA pointed to a worrying state of affairs as to conservation.

Take the Queen's House, Greenwich, by Inigo Jones: crucial in the history of British architecture, yet restoration works have raised criticism ranging from poor workmanship to the approach to the project as a whole. The original scheme involved considerable reconstruction to undo the changes made since the 17th century, yet such an approach has long been regarded as unacceptable.

For other reasons, some of the best architecture in the country happens to be in ruins. Kirby Hall in Northamptonshire is maintained (by English Heritage) so that the ruinous condition of the house is stabilised without the dishonesty of reconstruction. This is a sound and approved approach. Another ruin of great architectural importance is Hill Hall, Essex. Wrecked by fire in the 1960s, it is in the care of the government, in the shape of the HBMC. But not for long: it is on the market, its leasehold for sale with reconstruction as the object. Despite a string of clauses to ensure a "suitable" restoration, is it proper that this great Renaissance house, built in the 1550s and still complete with wall paintings, should be sold off for such an end? It makes one wonder what comes next in the grand auction—Hadrian's Wall or Audley End, Osborne House or Walmer Castle?

★

But enough of the bad news. Can I point out that this is the season for talent spotting. *The degree shows and end-of-year* exhibitions are up, and visits to the Royal College of Art, the Architectural Association and schools of architecture and design around the country will give a multi-faceted view of the state of the art.

Villa Medici Festival/Rome

William Weaver

Though some of its most promising pensionnaires complained about the Villa Medici—since 1803 the seat of the French Academy here—many of them drew inspiration from their years in Italy underwritten by the Prix de Rome. When we read today of the evenings with Ingres and Stendhal, with the considerate director Vernet and his lively family, and of the visits paid by Mendelssohn, the Villa sounds like an artist's paradise. In this centry it has had its ups and downs: in 1940, after *Mussolini's invasion of France, it* became Italian property again, but was returned to the Academy at the end of the war.

Recently, the Villa Medici has asserted its claim to be a cultural focus in the Italian capital. There have been a number of first-rate art shows, some on Italian, some on French themes. In recent years the gardens of the villa have served as the incomparable setting for an increasingly lively festival of the arts.

At the end of June, in the temporary but very attractive little outdoor theatre set up facing the garden façade, a concert of the Santa Cecilia orchestra, under American conductor Kent Nagano, opened with the Berlioz cycle. *Nuits d' été*, ideal for a balmy, pine-scented Roman night. For no announced reason, Dame Janet Baker, scheduled to sing, failed to appear, and the interpreter was the Dutch mezzo Jard van Nes, a tasteful, musical, attractive, if somewhat detached artist.

Outdoor performances unfortunately always involve a loss of orchestral body and warmth, and so these languorous songs were not as lush as they perhaps should of been. Nagano, too, seemed to keep emotion at bay, though he was always in control. The same control was evident in the brief (about 15 minutes) *Memento pour Marc* by Philippe Hurel, current Prix de Rome in the Villa: a skilled, conventional work.

The final piece on the programme was the late Bruno Maderna's compulex, large-scale composition, *La grande Aulodia*, a kind of double concerto for flue and oboe (here the Santa Cecilia's principals, Persichilli and Lolli, were outstanding) with a large orchestra divided roughly into three sub-orchestras. Though Maderna leaves some room for improvisation, or at least for choice, the *Aulodia* also makes compelling, specific demands. Nagano was alert to every nuance: the delicate percussion moods were magically effective

Fathers and Sons/Lyttelton

Michael Coveney

Brian Friel has adapted Turgenev's novel into seven deft and telling dramatic scenes and made it very much his own play. The symmetrical construction even means we are denied the deathbed scene of the nihilist hero Bazarov, while the mysterious countess Odintsov with whom he has fallen inconsolably in love is resketched by Friel as a practical adviser on the Kirsanov estate—the cheese and yoghurt factory has to go.

Kirsanov (Alec McCowen) welcomes his son Arkady (Ralph Fiennes) home from Petersburg with the news that the serving girl Fenichka (Lesley Sharp) has moved into the house and given him, Arkady, a little half brother. Arkady has brought with him Basarov, the most brilliant student of his year and an uncompromising nay-sayer. Turgenev wrote the novel in 1862, just after the liberation of the serfs; Basarov is often dubbed the first Bolshevik and he certainly incorporates characteristics of Turgenev's great friend, the critic Belinsky, as well as of Bakunin.

Basarov has parents, too. They are dignified peasants further out in the same province, and the two young men visit them after calling on Odintsov—that social encounter is telescoped into reported speech. While Turgenev's shimmering, supple text is marked by its interlocking of descriptive detail with precise behavioural observation, Friel's play presents two starkly contrasted family set-ups occupying the same country.

McCowen's barking, nimble farmer is the very opposite of Robin Bailey's sonorously dignified old Bazarov, who greets his son with a surfeit of concern and a generous display of his own classical learning. Beside him, Barbara Jefford is a maternal figure of stone, saving the full force of her powers of lamentation for a final "The Deum. The Lyttelton stage is filled by designer Carl Toms with a cornucopia of scrubbed bare boards, a rather dull and unrewarding visual prospect only slightly relieved by a string of festive lanterns for the wedding speeches. Kirsanov will marry Fenichka, Arkady the timorously dominant younger sister of Odintsov, Katya (Robin McCaffrey).

Robert Glenister's scowling, black-coated Bazarov is a far less interesting character than in the novel. We have none of his closeness to nature, his botanical and vivisectionist obsessions, his easy charm and way of eliciting the trust and affection of others. He is here a much more representative creation, a negativist forbear of Chekhov's Trofimov. But Mr Friel does catch beautifully the post adolescent crisis in intelligent, educated men who care deeply about their country. And this is where the Irish author of *Translations* joins hands with Turgenev, in showing the folly and anguish of emotional and material endeavour among people very close to their own land, the earth running through their fingers.

In the book, Bazarov contemptuously consigns Arkady to his domestic prison with the image of jackdaws building a nest. Here, the gangling, sunny Arkady of Mr Fiennes is transformed into a raging, comic poltroon noisily echoing Bazarov's revolutionary ardour. It is a beautifully measured dramatic adjustment.

There is no attempt to drag Turgenev raw and bleeding onto the stage. The play has its own intrinsic merit, with rippling comic speech constructions voraciously siezed by McCowen and a sharply choleric public manner for the decrepit Princess Olga whom Joyce Grant personates with savage gusto underneath a warning parasol from the safety of a wheelchair ("I detest every month... for different reasons"). Best of all, Richard Pasco's dandified Pavel Kirsanov conjures a world of European salon weariness with minimal fuss and few lines.

You cannot blame Friel for mising the inimitable texture of Turgenev, for that is not in his sights. He elucidates aspects of this book—one of the greatest of its period—and writes it into his own style and concerns. No adaptor can do more. Michael Rudman's cast is strong all the way down, with lovely support work from Hazel Ellerby as the cheerfully smitten Dunyasha, Antony Brown as a patiently recalcitrant retainer and Jay Villiers as an even less cooperative underling whose immediate response to the liberation has been to dye his hair pink and adopt a turquoise ear ring.

Alastair Muir

Alec McCowen and Richard Pascoe

Russian Rock/Dingwalls

Antony Thorncroft

I'm afraid an evening of Russian rock music is inevitably like Dr Johnson's view of women preaching — you don't expect it to be done well; you are amazed that it actually happens at all. It was an odd scene at Dingwalls in Camden Town on Saturday night. A few, a very few, gathered together, presumably from the Russian Embassy and among the sellers of Morning Star, at one of north London's more laid back venues, waiting for Dialogue, the officially approved band from Siberia.

Finally four very uptight, unamused old-young men, came on stage, with long hair, a penchant for bare chests, and the most tedious heavy metal music of the 1970's. With much fist clenching from the lead singer they raced through a set to please a commissar.

There were gestures towards the rebellious—a song called "Square Man" (much imaginative had play by the singer) was about the bureaucrats that inhabit the Town Square—but plainly Dialogue know where their money comes from. The audience looked depressed.

But these days the Soviet Union has a new face, and *glasnost* was waiting to flower in the form of Autograph, the number one band in Moscow, and a much more impressive *outfit. It helped* that the guitarist knew enough English, of the "thank you very much variety." But the main bonus was the enthusiasm of the group. They looked like they were enjoying themselves, and mysteriously, by the end of their session Dingwall's was full and dancing.

The music was equally old fashioned — Marillion meets Chicago—but the blonde singer had personality, and there was a most impressive drummer who looked as if he had wandered in from 1970 San Francisco. Autograph are its synthesisers, but their professionalism won through.

It's a pity that we should see Russian bands as a curiosity, but these are the first allowed to play in the West so it is the irrelevant aspects that hit home, like the old-fashioned leathers on Dialogue and the tour sweat shirts of Autograph, listing the unpronounceable cities visited.

Apparently many of the songs are about peace, but there is no doubting the integrity of the two bands, although Dialogue are the regimented goodie-goodies while Autograph *represent* the more rebellious youth of the Soviet Union. Amazingly they came bounding on for a desired encore with "Back in the USSR." They did not all know the words, but the fact that they could joke about it ensured their ovation.

Russian pop music is obviously a serious business, born out of the conservatoire tradition, but contacts have now been forged, and a fruitful exchange would benefit both sides, the East musically, the West politically.

Children's musical

A new children's musical by Carl Davis and Hiawyn Oram, *Kip's War*, will have it's world premiere at the Leicester Haymarket on July 30. Over 160 children will take part, with 16-year-old Kelly George taking the part of Kip.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 10-16

Music

ITALY

Rome: Villa Medici: Piazza Trinita' dei Monti 1: L'Orchestre de Paris conducted by Pierre Boulez. Bartok, Boulez and Ravel (Thur). (6344601).

WASHINGTON

Wolf Trap: Boston Pops conducted by John Williams. Mixed programme (Tue). Vienna, Va. (703 255 1868).

CHICAGO

Ravinia Festival: Kronos Quartet. Sculthorpe, Lutoslawski, Hassell, Riley (Mon); Alfred Brendel piano recital. All-Schubert programme (Tue, Thur). Highland Park (728 4642).

NEW YORK

Tanglewood: Vermeer String Quartet. Beethoven, Ligeti, Mendelssohn, Janacek (Thur). Lenox, Mass (413 637 1666).

LONDON

Robert Schumann Trio: Mozart, Jean Francaix, Schubert and Brahms. Middle Temple Hall, *Middle* Temple Lane, EC4 (Mon) (236 2801).

Israel Piano Trio: Haydn, Ravel and Brahms. Stationers' Hall, Stationers' Hall Court, EC4 (Tue). (236 2801).

Hagen Quartet of Salzburg: Haydn, Janacek and Schubert. Fishmongers' Hall, London Bridge, EC4 (Wed). (236 2801).

Alberni Quartet: Haydn, Mozart and Brahms. Drapers' Hall, Throgmorton Street, EC2 (Thur). (236 2801).

Theatre

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in *A View from the Bridge; Juliet* Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

Macbeth (Barbican): Jonathan Pryce is a wolfish, blood-curdling Macbeth in Adrian Noble's exciting production for the RSC. It plays in repertoire with Jeremy Irons' inconclusively wimpish Richard II and a rough and tumble modern-dress Romeo and Juliet. Best in the RSC's Barbican Pit is Janet McTeer leading a fine ensemble in Worlds Apart by Cuban playwright Jose Triana.

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a *superb* central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all *influences. Pastiche score nods* towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

CHICAGO

Sunday in the Park with George (Goodman): Stephen Sondheim and James Lapine's Pulitzer Prize winning musical based on suppositions about the life of artist and Georges Seurat stars John Herrera as the artist and Paula Scrofano as his lover, Dot, directed by Michael Maggio. Ends Aug 16 (443 3800).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

All My Sons (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is *visually* startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the *French film manages*, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

WASHINGTON

Tango Argentino (Opera House): A rousing but *surprising* Broadway success last season returns for its glittering display of Argentine dance and swirling intimacy. Kennedy Center (254 3770)

TOKYO

Les Misérables. After London and *New York, now Tokyo and the Japa*nese version of the Tony-award winning musical. The cast was handpicked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

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Monday July 13 1987

Hawke gets his mandate

NOT MANY incumbent governments get returned with an increased majority defending the sort of economic performance that Mr Bob Hawke's Labor Party offered the Australian electorate on Saturday. An excessive trade deficit, soaring external indebtedness, depressed commodity prices, high interest rates and inflation and some marginal reduction in real wages might well have been a prescription for disaster, especially in a country reared on insular affluence and hitherto disinclined to listen to home truths.

Several factors lie behind Mr Hawke's considerable triumph. Not the least is his political opportunism, in calling the election when Sir Joh Bjelke Petersen, the rambunctious Premier of Queensland, split the opposition Liberal and National parties down the middle. Valiantly though Mr John Howard, the Liberal leader, tried to paper over the cracks, he was never able to present much more than a mish-mash of half-thought through supply side tax cuts, too nakedly designed to appeal to the Australian personal pocket books.

Rejection

Yet this rejection of the nominally conservative alternative itself demonstrates how Australia's self perception has changed, and how Mr Hawke has been instrumental in directing and riding the revolution to political success. It shows in his own public persona: the emotional firebrand union leader, who virtually hijacked the Labor Party five short years ago, has been transformed into the very model of a hard-headed realist painfully aware of his country's vulnerability in a world where the producers of raw materials no longer call the shots.

It is too simplistic to describe Mr Hawke's policies as Thatcherite, though they are certainly more of the right than the left. Principally they reflect Australian realities. Their core until now, and surely into the future, is the transformation of the Australian labour market. The OECD commented in its most recent survey of Australia that it was "no mean achievement" to combine a reduction in real wages with an increase in employment and hours worked through the mechanism of the Accord with the union movement. This task, however, is far from complete if Australia is to broaden its competitive economic base. At least Mr Hawke's comfortable praliamentary majority means that he can negotiate with the unions from a position of relative strength.

Equally, he has a mandate to continue to dismantle the protective wall around the country's manufacturing and service industries, and to free up funds for investment whittling away at government spending. Australia's corporate and financial image at present is very much dominated by a handful of aggressive and highly leveraged entrepreneurs. Their successes, especially outside the country, should not disguise the fact that much of the productive economy is still over-protected and over-regulated. Greater exposure to competitive forces will doubtless produce some short term pain, but Australia's long haul prospects demand an irreversible commitment to liberalisation. To give him due credit, Mr Hawke seems to appreciate this fully.

It is dangerous to draw wider lessons from the Australian experience, unless it be for neighbouring New Zealand where Mr David Lange's Labour Government seeks public approval for its even more radical reforms in next month's election. In both countries, an

Mr Hawke's third consecutive election victory, the same number, it will be noticed, as Mrs Thatcher has achieved, might lead him to believe that he has created a new natural party of government in Australia. He should not bank on this. The three year parliamentary term means that he has, in effect, no more than a couple of years in which further to implement his revolution. He has made an impressive beginning and he has obtained as good a mandate as he could have expected. But the problems ahead are more intractable than a countryman of his found on the centre court at Wimbledon one short week ago.

Round two in the City revolution

SOME EIGHT months after the Stock Exchange's Big Bang restructuring there are signs of a second round of upheavals within the London securities industry.

Two of the medium-sized British financial services groups, Hill Samuel and Mercantile House, have received approaches for takeovers while Lloyd's Bank last month abruptly pulled out of market-making in both Eurobonds and gilt-edged. Meanwhile, the Japanese securities houses, led by Nomura, are about to take the opportunities that they passed up a year ago to move into trading UK equities and gilts, although they are unlikely to attempt to buy existing firms.

Pressures are being exerted at two distinct levels on participants in the London securities markets. Many firms are having to reassess their operations in the light of experience, so that the scope of market-making activities is often being cut in the face of intense competition. Shearson Lehman has just done this, following earlier moves by groups such as Robert Fleming and Barclays de Zoete Wedd.

Squeeze

More fundamentally, however, there is a squeeze on the middle ground of London investment banks. They are faced with a choice between filling niche roles and attempting to join the front rank of global operations. A securities house which is substantial in London but has little representation in New York or Tokyo may find it increasingly hard to compete with the leading worldwide firms.

How far up the scale this middle ground extends is a moot point. It certainly includes Hill Samuel, the dominant faction which has pressed for a positive response to UBS's approach, with the attraction that the London banking group could become part of one of the emerging worldwide giants, albeit foreign owned. The question is whether Kleinwort Benson, Morgan Grenfell or even Warburg can continue to shrug off their lack of fully-balanced representation in the world major market places.

Groups such as Schroders and Robert Fleming are even smaller than Hill Samuel but they are motivated by considerations of private control and they have already settled for niche strategies—Schroders at the uncomfortable cost of selling off its valuable retail investment operations.

Today is expected to bring a statement from Mercantile House, the subject of a bid approach from a so far undisclosed source. Mercantile's history has illustrated the difficulties of trying to set up a second-tier global financial grouping. Its link with Oppenheimer in New York was well timed, but it proved impossible to sustain the commitment of the Americans, who were inward-looking and were determined to buy themselves out again when conditions improved.

Global network

Internal dissatisfaction is a threat that faces a number of the second-rank groups. Executives of broking firms bought by banks some three years ago on the basis that they were to be linked into a global network are likely to become restive if their parent boards refuse to take the necessary risks and to commit the resources needed.

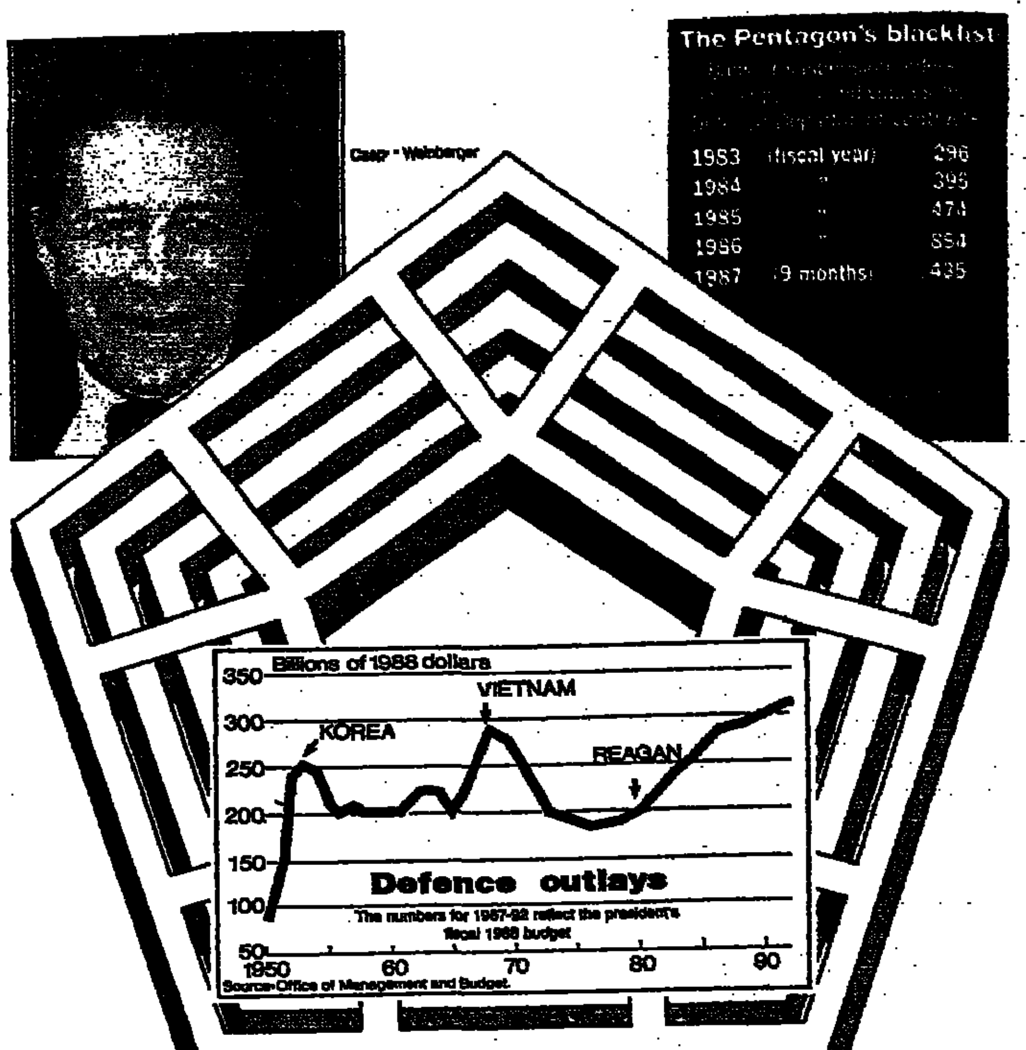
Even organisations as large as clearing banks have found it necessary to rethink their securities operations. Lloyds has pulled the plug on its bond operations, flouting the conventional wisdom that the growth opportunities for global banks lie in securities rather than the credit markets. Midland ceased making markets in UK equities some months ago, and under pressure from Third World debt problems it has had to address more urgent priorities than investment banking.

The interesting point is that Swiss banks, led by Union Bank, are now moving into the London securities scene with a determination which contrasts with the lukewarm attitude of some of the leading British banks. If the big West German banks, which sat out the pre-Big Bang turmoil also conclude that London is an important place to locate a large securities operation, the second round reshuffle of ownership could prove to be far-reaching.

What of the risk that British ownership of leading securities houses could be further reduced? It is not possible to be squeamish about this if the central objective is to strengthen London as an international centre. Nevertheless, the question of further clearing bank/merchant bank mergers could well come in for a reassessment.

David Buchan in Washington looks at how the world's largest arms purchaser has responded to the military build-up of the Reagan years

Penetrating the thicket



PRESIDENT REAGAN'S big military build-up is over, but some of the most serious consequences of raising defence spending by 50 per cent in six years are only just becoming apparent. They have nothing to do with relations with Moscow, arms control, or geopolitics.

Rather, they affect the way the Pentagon — the world's biggest buyer of defence goods and services at $170bn (£105bn) a year — arrives at contracts with its suppliers and how it balances its recent willingness to import arms from allies against its growing concern about US military dependence on foreign products.

Present Pentagon policies are sending the US defence industry into a period of unprecedented peacetime change. Faced with lower prices and higher costs, US prime contractors are no longer too proud to join hands. Increasingly, they team up to compete for fewer, but bigger contracts. In some cases, the teaming is being made permanent by merger, particularly in defence electronics. Some observers expect the seven US military aircraft makers to enter a period of fusion and concentration.

Also at stake is the historic achievement of the European allies last year "selling the US a record $2.9bn worth of arms, bringing the US surplus in the transatlantic arms trade to its lowest point since the Second World War. Protectionism threatens to spill over into defence, the one major procurement area over which the Administration and Congress have direct control. Congress may try to shut out foreigners from Strategic Defence Initiative (SDI) contracts in this year's trade bill.

The threat to the growing foreign stake in the US defence industry comes not only from the US legislature. The Administration, as part of its wider anxiety about US competitiveness, is concerned that too many foreign-made semiconductors, optics and bearings go into US weapons and shows signs of requiring US-sourcing for some components.

The traditional response by foreign companies to US protectionism has been to set up local manufacture. They have tried to Americanise themselves, either through local manufacture or by buying existing US companies. But increasing security classification of programmes makes the second option difficult.

Without the abruptness of the Reagan build-up, few of these issues would have arisen in so acute a form. It has been the first major expansion in US defence spending which brought no corresponding boost in force levels, with the exception of the navy (which is two years from reaching its goal of a 600-ship fleet).

Instead, it has brought enrichment: technical enrichment, as weapons have become more complex and sometimes more capable; but also financial enrichment — some contractors have regarded Mr Reagan's spending plans as an open invitation to pad contracts.

The crackdown came with the mid-1980s scandals of $2,000 airborne coffee pots and $600 contractor's hammers—a very small part of total procurement but items to which the public and Congress could easily relate. Congress responded by telling the Pentagon, for the first time, not only what to buy, but how to buy—wherever possible by competitive tender.

Big savings were and are being made. But increased competition led to another perceived abuse—deliberate under-bidding to win a contract, only to hit the government later with the true cost in the form of a financial overrun.

The number of companies barred, or temporarily suspended from Pentagon work for underbidding, overcharging, failure to perform on warranties, or straight corruption, rose steadily. Public esteem for, and government relations with, the defence industry sank lower than ever before.

Increased competition has forced US prime contractors to seek the cheapest possible components, often offshore and usually in Japan. The recent row over sensitive Toshiba technology reaching the Soviet navy has given a fresh boost to protectionism.

Many of these issues have been exacerbated by the loose management style of Mr Caspar Weinberger, the longest serving Defence Secretary since Robert McNamara in the 1960s. He has seen himself primarily as a raiser of money for the services (at which he has been spectacularly successful). They have had their head in spending it.

Cap the Knife, as he was known when he ran President Richard Nixon's budget office, has become Cap the Shoveller. The 150,000 Pentagon officials plod through their 30,000 pages of acquisition regulations in awarding 15m contracts a year to some 60,000 contractors, but have lacked a central guiding hand.

Congress has moved in to fill the Pentagon management vacuum, duplicating it almost identically. On Capitol Hill 84 committees and subcommittees oversee defence, backed by almost 20,000 Congress staff and other congressional agencies.

Not surprisingly, the Pentagon is now trying to strike a new balance between its procurement, industrial and trade policies.

An attempt is being made to introduce a degree of centralisation into what is, by European *standards*, a wildly decentralised system. The individual services have always had enormous autonomy in procurement, overlaid by a thin veneer of civilian central planning. So, in addition to a new civil post, dubbed "acquisition Czar" and filled by Mr Richard Godwin (from Bechtel, the corporate alma mater of Mr Weinberger) the post of a uniformed vice chairman of the Joint Chiefs of Staff has been created to secure a more centralised military view of requirements.

> The inroads made by foreigners may have increased protectionist sentiment—but they have also contributed to competition

The mechanism of competition is also being reconsidered. The defence industry publicly welcomes greater competition, partly because it is a perceived American virtue but also because it brings new market opportunities. However, the *industry is incensed by the* requirements that data emanating from research even only partially funded by the Government must be 100 per cent government-owned.

Mr Godwin has expressed doubts about this. "The government-inspired drive for competition between contractors has gone too far in some cases . . . where a contractor invests much of his own money in the development of a new weapon system only to have it required that the new technology be given to a competitor."

Some Pentagon officials want a less adversarial relationship with defence contractors. "Who are they going to sell to, if not to me, and who am I going to buy from, if not from them," is how Dr Robert Costello, a new senior procurement official, brought in from General Motors, puts it.

Elsewhere in the Administration, the mood is different. Mr Ed Meese, the Attorney General, said recently when the Justice Department won a defence fraud case that such fraud would remain his department's "highest white collar crime priority." Companies were on notice that the defence build-up was "not an invitation to plunder the public purse."

In fact, the Justice Department has just dropped two defence fraud cases against General Dynamics. This may be a landmark, both because GD is the GM of defence in volume ($8bn a year) and scope of military business, and because it has been the most pilloried of defence contractors.

If the moral turnround demanded publicly of the defence industry has really taken place, GD would seem to epitomise it. Mr Stanley Pace, the chairman, recently explained, over a milk-and-tuna lunch, how GD's 100,000 employees had been put through "ethics awareness" seminars, and 80,000 of them had been reinstructed on how to fill time-cards (the basis of much Pentagon contract accounting) in indelible ink.

Finally, the Pentagon is starting to wrestle with the contradictions in its industrial policies. On the one hand, it is committed to improving the Nato defence industrial base, through new collaborative programmes. On the other, it is preoccupied with protecting a North American (US plus Canada) mobilisation base that could provide wartime "surge" production if Europe were overrun.

Traditional US protection of its own defence industrial base has not been much greater than that practised by major European countries. Ammunition, bombs, missiles—the high-volume consumables of modern war—have to be home-produced and US fighting vehicles must also be US made. As a matter of practical politics any foreign company with a Pentagon contract worth more than $100m will have to have some US base, virtually as a condition of getting the contract.

The charge, in the 1980s, is that the Pentagon is now also concerned about defence components, as well as end-products.

Foreigners could hardly object to such subsidies. They do it extensively themselves. But their fear is that it will be supported by a change in procurement policy, and perhaps a US-sourcing requirement on the weapons the US buys abroad as well as at home. For instance, the US Joint Logistics Commanders have proposed restrictions on the amount of imported optical equipment the Pentagon buys. If implemented, European diplomats in Washington claim, it could halt three collaborative programmes involving electro-optics. The West Germans also see it as a bar to contributing their traditional skills in optics to SDI.

There is one other reason for the increase in US procurement programmes labelled "No Foreigners." This is the thickening veil of secrecy the Reagan Administration has cast over large sectors of defence procurement. So-called black projects, whose very existence and codenames are highly classified, are on the increase.

In this climate, it is harder, but not yet impossible, for foreign companies to buy their way into the US defence industry. At the lower-tech end, in the last year Pilkington had no trouble buying a US company making cockpits, nor Lucas Aerospace in buying a wing-flap maker, nor BP buying a defence-related ceramics manufacturer, but British Aerospace's recent agreement to take over Reflectrone, a simulator maker, is dependent on the Pentagon's granting a "special security arrangement," such as Marconi and Thorn-EMI already have with US subsidiaries. These arrangements keep sensitive technical, but not commercial data away from foreign owners.

There is, however, a positive aspect to the changes at the Pentagon. The inroads that foreigners have made recently into the US defence market may have increased protectionist sentiment, but they have also contributed to competition. Greater centralisation and uniformity of procurement would simplify the rules for all contractors. That, in turn, might reduce abuses and make it easier for all would-be contractors to penetrate the Pentagon thicket.

Men and Matters

Japan's bosses not resigned

The resignation of Shoichi Saba as chairman of the big electricals group Toshiba is causing reverberations at the top levels of Japan's business community.

In the wake of the controversy over a Toshiba subsidiary's illegal exports of sophisticated machine tool exports to the Soviet Union, Saba did what in Japanese business circles is normally regarded as the honourable thing. However, in this case, leaders of other big conglomerates are upset because they fear his action sets a bad precedent.

In Japan, conglomerates do not actually control some of their subsidiaries, and, when problems arise, it is considered enough if the subsidiary's executives resign.

Also, there is a widespread feeling in Japan that Saba's resignation may be, if anything, counterproductive. It seems the Americans are more likely to read it as an admission of guilt than a noble gesture.

Meanwhile, the Electronic Industries Association of Japan is in a typical Japanese quandery about how to replace Saba as their chairman. Like most such organisations, the EIAJ operates a Buggins' turn system. But the man next in line, Hitachi's Katsuhige Mita, is not due to take over until May, 1988.

The EIAJ worries that if it seen as censuring Toshiba. But if it puts in Toshiba's new president, Joichi Aoi, that could draw criticism for disrupting the normal advance up the ladder.

For its part, the Keidanren, Japan's federation of leading business organisations, is keeping Saga as a vice-chairman, and even sending him soon on a mission to the US.

Flush of orders

The Tokyo area is suffering from a severe water shortage, thanks to the failure of the customary rainy season to occur in June.

Total rainfall in the April-June period was 60 per cent below average. Like England, Japan has no great continental sources of water on which to draw at times like this. Drastic measures must be taken.

Water has already been rationed, and in a brutally egalitarian way. The Japanese authorities have simply cut mains pressure by 10 per cent, and have forced large water users, such as breweries, to cut production in the Tokyo area.

Japan's ever-restless entrepreneurs have been quick to capitalise on the drought. For example, an unusual product called Etiquettone is enjoying a *sudden increase in popularity*.

Etiquettone is a pre-recorded cassette tape which reproduces the sound of a flushing toilet. Apparently, Japanese women tend to flush the toilet a number of times to drown out other sounds. With Etiquettone playing the same effect is achieved without wasting water.

Parting shot

Leslie Fielding, the European Commission's director general for external relations, has just made a farewell visit to Tokyo before taking up his post as as vice-chancellor of Sussex University.

Fielding, a former British diplomat, opened the European Community's office in Tokyo in 1974, and headed the delegation from 1978 and 1982 before taking up his present post.

Having participated in 18 series of negotiations with the Japanese, he still feels frustrated by the country's inertia.

There are, he says, endless action programmes and packages designed by political leaders to make Japan behave more like other countries. But they all seem to get bogged down. "It seems necessary to keep injecting tension into the system," he complains.

Fielding did his bit to inject some new tension himself, tweaking some of Japan's premier exporters for behaving "as if they come from newly industrialised countries." Their high-pressure selling activities were "unworthy of Japan," he charged.

He shied away from naming names, but growled: "Not all the Keidanren members believe that the country must be internationalised."

Party time

Meanwhile, loud groans can be heard from the Keidanren and other business organisations as the race to succeed Yasuhiro Nakasone as Prime Minister gets into full swing.

One of the rituals for every political candidate is to hold a large party. Like the obligatory opening parties for new banks and brokerage houses, these are unbelievably lavish affairs held at the best hotels.

However, the resemblance between the two types of parties stops there. In the business world, it is the celebrating company that pays. In the political world, it is the guests—mainly large companies—who are pressed to buy dozens of tickets each.

And the price they pay — Y30,000 (£125) a ticket for outsider Susumu Nikaido's big do last Friday—fair takes the breath away, considering that most do not bother to send anyone along.

Business leaders are muttering that this sort of party is no longer appropriate—especially for marginal candidates—at a time when many companies are suffering from the effects of the high yen.

Yuppies at home

Tokyo's famous Roppongi crossing must be one of the few places in the world guaranteed to have a traffic jam at 3 am, not only on the roads but also on the pavements.

It is here that Japan's yuppes—also known as shinjinrui—flock to bars and discos, breaking down the myths of the dreary, workaholic salaryman.

A recent survey of 3,000 of them found that the main difference between Japanese and Western yuppies is that the Japanese are younger.

Paradoxically, their high living is made possible by Tokyo's sky high housing costs. Since they cannot afford to buy or rent, they live at their parents' homes, and so have their entire earnings to spend as they will.

Dog's day

Japan is about to suffer from a wave of dog mania. A new film on Hachiko (the eighth one to be made), is about to be released.

The critics are convinced there will not be a dry eye left in the country.

Hachiko, the doggy companion of a Tokyo Imperial Agricultural College professor in the 1920s, accompanied his master to Shibuya railway station every morning and returned faithfully to meet him every evening, so becoming a landmark.

Even after his master died in 1928, Hachiko went to the station every day until he too died seven years later.

This story of loyalty so inspired the nation that it was added to school textbooks. A monument was erected outside the station—and it is now so famous and widely used a meeting place that it is very difficult to find anyone there. Once "Hachiko Monogatari" (The tale of Hachiko) appears, the crowding will undoubtedly get even worse.

Observer

Privatisation in Africa

The spirit is willing, the state obstructs

By Victor Mallet

PRIVATE ENTERPRISE in Africa has never been dead. The continent is teeming with entrepreneurs like Frederic, a Zairean who has a regular job at a travel agency but makes much more money in his spare time by travelling to neighbouring countries on public transport to sell ivory and malachite. He bribes customs officials at the borders and returns to Zaire with shoes and clothes to sell, making profits on both legs of the journey.

Many of the nations south of the Sahara have vast underground economies whose activities never show up in official statistics. The thriving state of Africa's black markets and smuggling networks is not, of course, a sign of exceptional criminality but a result of the widespread failure of Africa's legal economies to provide enough goods, services and jobs.

From Guinea to Mozambique, that economic failure is increasingly being blamed on excessive state intervention. The spawning of unwieldly state-owned companies and the nationalisations which followed independence from the European colonial powers are no longer fashionable. Privatisation has become a buzz word in Africa.

In some places, including the two formerly doctrinaire socialists countries cited above, privatisation of businesses from breweries to cement factories has already begun. In others, the word is bandied about vaguely by government officials while nothing is done to promote it.

The politics and economics of Africa put peculiar obstacles in the way of privatisation.

There is no shortage of the free enterprise ethic in Africa. Across the continent, civil servants on miserable salaries top up their incomes by taking a couple of days off work to sell firewood or by acting as cooking oil and hi-fi salesmen for friends in the trading community.

Official ideological opposition to privatisation has weakened. "Even in the Soviet Union and in China, they are changing and allowing things to operate," was the justification for private enterprise offered recently by an official of the Marxist Mozambican government.

The problem is one of capital and of financial expertise. There are only a handful of stock markets in Africa, and they are small. As to who has the money and the experience to buy a major state company in a poverty-stricken African country, the uncomfortable answer is that buyers in Africa tend to come from a restricted pool of foreign companies and a few rich local businessmen — hardly a recipe for Thatcherite popular capitalism.

Further obstacles arise because the local businessmen are often a racial minority envied by their fellow citizens and therefore discouraged from increasing their control of the economy — Asians in East Africa, Lebanese in the West and whites in Zimbabwe.

Foreign companies meanwhile face hostility from the many African governments which continue to cherish deep-seated anti-capitalist feelings and to follow nationalistic policies.

But even *if* a government is prepared to risk political upheaval by privatising a poorly run and overmanned state corporation, accepting mass redundancies and an erosion of vested interests, there is no guarantee that a foreign or a local investor will be tempted to buy.

For a start, African governments are keen to sell off their basket cases while retaining state enterprises showing signs of profitability. Tanzania wants to privatise the worst of its nationalised sisal estates, not the best. In Zambia, says a leading businessman, "the good parastatals (state-owned companies) they want to keep, and the bad ones are very bad." Some are years behind in their accounts, making an accurate assessment of their value virtually impossible.

Potential foreign investors are also put off by a daunting, albeit diminishing, array of disincentives, including price-fixing which limits profits, difficulties with repatriating those profits, shortages of foreign exchange, corruption, poor infrastructure, bureaucracy, worries about political stability and the frequent absence of continuity in government policy.

There is little to stop the re-nationalisation of privatised industries. In Zambia last year the Government raised the official price of maize meal, a staple food, in accordance with an austerity programme supported by the International Monetary Fund (IMF). Food riots erupted, and the Government reacted not only by cutting the price but also by nationalising the private sector of the maize-milling industry, apparently offering the millers as scape-goats for the troubles.

Opportunities exist for investment in African enterprises going private, but not for the timid. Multinational companies such as Lonrho, with long experience of operating in African government circles and in the labyrinths of the African business world, seem to stand a better chance of success than most. Lonrho has, for instance, taken over state farmland in Mozambique to grow cotton and citrus for export.

The would-be private investors of Africa itself are not entirely on their own. They can draw on the support of Western donors, particularly those like the US which prefers to channel aid to the private sector, and they can be helped by the International Finance Corporation (IFC), the World Bank affiliate charged with assisting private enterprise in developing countries.

Last year the IFC, the African Development Bank and the United Nations Development Programme launched the so-called Africa Project Development Facility (APDF) to provide advisory services to African entrepreneurs and help them to secure financing.

"There are numerous private entrepreneurs who would like to make the transition into the modern productive sectors of their economies, but they need assistance," says Mr Andre Craceo of the APDF's Abidjan office.

Privatisation of national utilities such as telecommunications and electricity is politically unacceptable and impracticable in most of developing Africa. Mr Kenneth Kaunda, president of Zambia, said recently that he had turned down a \$2bn offer for the country's nationalised copper mines because the takeover would lead to redundancies. Banks, breweries, factories and farms are among the first businesses to be put up for sale for governments taking the privatisation road.

A recent IFC study of 11 sub-Saharan African countries showed that most investment opportunities in the modern sector were of small to medium size, between \$750,000 and \$3m, mainly in agricultural processing and light manufacturing.

The American food processing firm H. J. Heinz Company is one of the few foreign companies to make inroads into the state sector of southern Africa, and the way has not been easy.

The company reached agreement earlier this year to buy 49 per cent of a state-owned vegetable oil plant in Zambia and to manage the plant, with Heinz president and chief executive Anthony O'Reilly saying he hoped they could charge their own prices without interference. Since then the Government has broken with the IMF and introduced strict controls on the prices of basic commodities, including cooking oil.

Nigeria's plans for the improvement of state enterprises range from full privatisation to the retention of 100 per cent state control accompanied by a degree of commercialisation. Guinea has closed down dozens of state trading companies and is privatising 18 state industrial enterprises. Mozambique has privatised more than 20 industrial plants since 1985.

In the past few years, African countries have begun to turn their backs on central planning and state control, swallowing—with mixed results—the Western economic medicine of the IMF and the World Bank. Privatisation is only one aspect of the reform process and its success depends on a suitable economic environment which is frequently absent in Africa. Few benefits are likely to flow from privatisation if a monopoly is simply passed from public to private hands with no increase in competition.

Privatisation is an international phenomenon, but its scope is likely to be limited in all but a few African countries by the shortage of local capital and management skills and a variety of other political and economic obstacles. So far only an estimated 5 per cent of Black Africa's hundreds of state-owned companies have been closed or denationalised in the 1980s.

A recent IMF working paper says that there are more than 1,000 enterprises slated for privatisation worldwide. Yet the most striking feature of privatisation in most countries, it says, "is the marked divergence between stated intentions and follow-up action."

Nigeria: no shortage of the free enterprise ethic

Lombard

The hard sell is yet to come

Peter Riddell

THE GENERAL election may only have ended a month ago, but its lessons are already in danger of being forgotten. With the opposition in disarray, the impression has been given that it is business as usual for the Government.

But it is not quite as simple as that. The nature of the campaign leading up to June 11 raised questions about the extent of support for the radical agenda the Government is now trying to implement.

The election was not smooth going, as Mr Rodney Tyler vividly portrays in Campaign! The Selling of the Prime Minister, published today. *There was infighting, jealousy,* and argument worthy of Dynasty or Dallas, with rival groups of advisers and advertising agencies jockeying for influence with "Her," as Mr Tyler at one point describes Mrs Thatcher.

The behind-the-scenes account depicts the always delicate relationship between Mrs Thatcher and Mr Norman Tebbit, the Conservative party chairman. When the campaign faltered Mrs Thatcher, needing reassurance, sought the informal advice of her old team of media gurus, notably Mr Tim Bell, the flamboyant former executive of Saatchi & Saatchi who was closely involved in the 1979 and 1983 campaigns.

Indeed, the book bears the fingreprints — and at times the footprints — of Mr Bell and Lord Young, who was drafted into Conservative Central Office just before the campaign to strengthen its running. They are the main heroes who help save the heroine in her struggle against unnamed obstructive people in the Tory machine and always aggressive television interviewers. There will no doubt be alternative versions.

Mr Tyler also examines the way in which the direction of the campaign changed. After producing a legthy manifesto full of radical commitments, the Tories were quickly forced onto the defensive. There was, for example, the early confusion over the education proposals. So, with Labour making the early running, the Tories reverted to a more traditional campaign of defending their past record and attacking Labour.

Significantly, in a post-election interview with Mr Tyler, Mrs Thatcher says the worst moment of the campaign was at the end of the first week: "when we made the reassessment, we felt the message was not getting across." Despite a desire to be positive, the opposition attacks meant that the campaign had to be turned round.

The result, however, was that for much of the campaign there was little discussion of the main manifesto commitments — especially on housing, rates reform and privatisation.

The public debate on many of these issues is only beginning. Ministers may, with some justice, complain about Tory backbenchers who only now raise objections to the replacement of domestic rates by the community charge, pointing out that this was quite explicitly spelt out in the manifesto. But that is politically irrelevant. There is little evidence in the opinion polls that many people voting Tory on June 11 either knew much about the proposal or were positively enthusiastic about it.

The Government may constitutionally be able to claim a mandate for such a radical change, but that does not mean the public has been convinced of its desirability. The same points apply to other proposals, such as those on education, *housing*, and water and electricity privatisation.

Some of these proposals also challenge local Tory vested interests, which may not mute their criticisms just because a promise was included in the manifesto.

The Tories won the election largely because of their past record and a dislike of the alternatives. They would be mistaken to assume that the success implies popular support for their agenda, which only surfaced occasionally during the campaign. The task of communications and political persuasion did not end, but began, on June 11.

Campaign! The Selling of the Prime Minister, by Rodney Tyler. Grafton Books. £10.95 hardback, £6.95 paperback.

Letters to the Editor

Prepare C4 for independence

From Mr Edmund Dell

Sir,—Channel Four is currently funded by a subscription levied by the IBA on the ITV companies. In return they sell C4 advertising time. In the year to end March 1987, advertising revenue invoiced on C4 exceeded the subscription by about £20m. Although there are certain costs that, under the present structure, C4 itself does not pay, these figures confirm my view, that C4 can prosper as an independent entity selling its own advertising time in competition with ITV, and that it can do so without sacrificing its present distinctive programme remit.

These figures also confirm that the ITV companies, in addition to the monopoly profits they already make out of their own channel, are now making further monopoly profits out of C4. I cannot believe that this was ever the Government's intention.

It has so far been assumed that there can be no change in the present C4 funding system until the end of the present ITV contracts on December 31 1992. Even if that be true, there is one important step that can be taken as soon as Parliament has passed the necessary legislation. C4 is at present a subsidiary of the IBA. It could be established as a separate authority on the model of the Welsh Fourth Channel. The Welsh Fourth Channel is a separate authority, funded in the same way as C4, though with a right of appeal to the Secretary of State if it is not satisfied with the subscription allocated to it by the IBA. There is no reason why C4 should not be placed in the same position.

This would have several advantages. It would help to prepare C4 for the total independence, in funding as in other matters, which is bound to come. It would enable C4 to negotiate freely with the ITV companies a subscription which reflected more satisfactorily the actual advertising revenue earned in its advertising time. At the moment that negotiation is subject to final determination by the IBA, an organisation which has sometimes shown itself to be rather soft in its relations with the ITV companies. In that connection, it would enable C4 to insist that instead of being given just an annual figure of advertising revenue invoiced, it should have the monthly figures which are at the moment kept from it by the ITV companies. It would help to end lingering suspicions among independent producers that the ITV companies have, as funders and suppliers, a privileged foot in the door.

I believe that now that it has been demonstrated that C4 can pay for itself, it is questionable whether full independence does have to await January 1 1993. However that may be a seperate C4 authority is the minimum step that should now be taken.

Edmund Dell.
4 Reynolds Close NW11.

Adequate capital

From Mr M. Crow.

Sir,—I see (July 9) that US bank regulators have substantially relaxed their rules on capital adequacy in a bid to deal with the record number of bank failures and troubled banks in the currently turbulent US financial system.

Well that's alright, then—depositors may presumably relax.

It brings to mind the Belgian Minister of Transport of some years ago. On being presented with the results of a survey showing that accident statistics proved Belgian drivers to be the worst in Europe, the worthy gentleman was reported as replying that this was nonsense—why, more applicants passed their driving test first time in Belgium than anywhere else in Europe.

Whether governed by a capital adequacy test or a driving test, the results of a crash can be equally harmful.

Malcolm Crow,
60 Woodland Rise, N10.

Support for the centre

From Mr D. Lowe

Sir,—Some 57 per cent of the electorate voted against Thatcher style Conservatism, yet well over 62 per cent of the electorate could not support Labour. There is a massive body of the UK electorate that could easily be drawn towards centre politics, especially as the British economic tide changes with the progressive loss of North Sea oil revenues. Liberals and SDP have failed to direct this central voting core which has resulted in a pitiful showing of Liberal and SDP MPs and the loss of considerable valuable expertise from the House.

The centre core of UK voters needs policies which are democratic, liberal and sensible. If those policies are mildly green and reasonably Christian their appeal would be wide enough to generate an upsurge in centre support. This should eventually lead to proportional representation; a fundamental cornerstone in any modern democracy, and the next major democratic phase after universal suffrage.

If the SDP and Liberal parties are incapable of unification, cannot select common policy, and fight over minor dogma, then a major core of UK voters will continue to drift from left to right and back again, continuing to swing through the centre while the extreme Left and Right of British politics become further polarised.

"Unity is strength." As we cease to be an "oil state" Britain will need all the unity and strength it can muster. The best educational and industrial policies are needed to rebuild the foundations for vitally needed manufactured exports and to reduce the flow of manufactured imports.

We are described as a divided nation. If the cracks in the centre cannot be repaired this divide will continue to widen.

Derek Lowe.
Old Rectory,
Lathbury, Bucks.

Paper pushing is paramount

From Mr T. Ulrich

Sir, — Recently a German client asked me to take over an Olivetti PC to test some software and to bring back an IBM PC. I needed a Customs carnet and an export licence although both machines are manufactured in the EC. I went to the Department of Trade the same day to explain the urgency. They were most helpful and issued the licence the next day. My client then rang to say he was unable to obtain an export licence for his machine in less than three weeks, and it would be cheaper for me to buy a computer here at his expense.

We should be grateful if our bureaucracy is more efficient than the Germans', but it is amazing that after 15 years in the EC such a simple transaction should be so complicated. It is small wonder that the Americans have an advantage.

T. C. Ulrich,
35 Stratford Road, W8.

Funding for operas

From Mr J. Ward

Sir,—In your leader "Arts funding and market forces" (July 9) you ask "why should the majority who hate opera subsidise the relatively wealthy who can afford to buy tickets at Covent Garden?" The short answer is "They shouldn't."

Over 60 per cent of its 2,000 seats now cost £30 or more for opera performances.

The overall artistic standard is unacceptably low. The few marvellous evenings of which Covent Garden is still capable should be condensed into an annual 12 week season financed by private corporate and personal affluence. The public subsidy currently allocated to Covent Garden should be redistributed to the English National Opera and regional opera companies whose innovative and unelitist approach is making opera in Britain realise its potential to be a popular art form.

The relatively low public subsidy for opera in Britain may be a national scandal but for the next few years at any rate it is the political reality. That so large a proportion is earmarked to bail out our leaking operatic flagship to the detriment and possible extinction of our less establishment-oriented opera companies is a luxury we should no longer tolerate.

John Ward.
18 Nelson Place, N1.

New inland tax haven

From Mr D. Goch.

Sir,—I was dismayed to read the "Men and Matters" reference (July 8) to the "little-known financial centre of Harpenden" as being a town on London's northern fringe. I doubt that your writer has anything more comprehensive than a London A to Z street guide on his bookshelf, but if he had consulted a decent road map he would have found that it is located just a shade above the latitude of Watford, and thus—as any discerning journalist or Member of Parliament will tell him—it is virtually of development area status with its close affinity to the rest of northern England.

If, however, we can achieve our ambition to declare a secession from our somewhat over-bearing neighbouring town of St Albans (to which we were unhappily joined for obscure administrative reasons in the last-but-one round of local government reorganisation), we can then turn our mind to becoming a new inland tax haven—a kind of San Marino in deepest Hertfordshire.

Desmond Goch,
4 Paddock Wood,
Harpenden, Herts.

Review tax policy

From Mr E. Burch.

Sir, — I heartily aree with Mr Prowse (July 3) who suggests that before we go ahead blindly with community charge or poll tax ideas, Mrs Thatcher should commission a thorough Treasury review of all aspects of tax policy. It is my belief that there are some better ideas outside the Treasury than — at the moment — inside it. The Treasury should not be too proud to accept some ideas from the community.

For example: a community charge might well be based on land value, rather than a head count.

E. Burch,
34 Dorset Square NW1.

FINANCIAL TIMES
Monday July 13 1987

Roderick Oram on Wall Street

Sultan of Buybacks keeps silent

ONE MAN the speculators want to hear from more than anyone else at the moment is, true to his style, keeping silent and as far away from Wall Street as he can without falling into the Pacific Ocean. Dr Henry Singleton, last of the great American conglomerateurs, is back in the limelight because his company, the Los Angeles-based Teledyne, stands to reap large gains from the stakes it holds in companies swept up in US industry's wave of restructuring.

Quite how he will spend the money is a mystery, but speculators, betting on some sort of reward for Teledyne's shareholders, have driven the stock up by 25 per cent in the past six weeks to $370 1/8 a share.

Short on facts, Wall Street is long on scenarios. The most dramatic is that Dr Singleton, a chess fiend who prefers playing in his head to on a board, has begun his endgame. Some observers see scattered actions over the past year as signs that he will start dismembering Teledyne, a sprawling industrial empire he began building in 1960 with $450,000 start-up equity. Shareholders' funds now approach $2bn.

'Wall Street is hyperventilating,' said a Los Angeles analyst who has followed the company for many years. 'The only thing that has changed is that a couple of his portfolio stocks have been put into play. And clearly they will be worth more. But I don't think Henry will sell Teledyne. I think that's wishful thinking.' Growing up on a Texas ranch, Dr Singleton dreamed of creating a huge conglomerate but did not make a start until 1960 when he was 44 years old. In between he served in the Navy, collected three degrees and a teaching post at the Massachusetts Institute of Technology and worked for Hughes Aircraft, General Electric and Litton Industries.

Today, Teledyne generates more than $3.5bn of sales a year from 130 companies with interests ranging from aerospace to oral hygiene. Teledyne engines, for example, powered the Voyager non-stop nine-day flight around the world last December. Dr Singleton and his right-hand man Dr George Roberts, who was his Naval Academy roommate, assembled the group during the 1960s typically by buying companies using Teledyne stock. But remarkably, they made no acquisition after 1969. They switched instead to building up a portfolio of large minority stakes.

Teledyne also showed a voracious appetite for its own stock, buying in some 70 per cent of it during the 1970s and early 1980s with cash squeezed from its hard-run businesses. The strategy rocketed the group's share price from a low, adjusting for splits and distributions, of less than $6 a share to $370 in 15 years.

Through these years of impressive growth, Dr Singleton stuck to some basic principles. Teledyne never paid a dividend, rarely closed or sold operations, and held on to its big portfolio investments as a long-term, passive shareholder. The group's name is from the Greek words for force and distance.

A few things have changed in the past year, though, most notably the spin off of Teledyne's Argonaut insurance company and the beginning of dividend payments last winter prompted mostly by US tax reforms.

More recent news that Kidde, a diverse industrial group in which Teledyne has a direct 18 per cent stake, was up for sale in whole or part fuelled speculation that Dr Singleton was warming up to the idea of divestitures.

Whatever the motive, Teledyne is likely to benefit from Kidde's reorganisation and from a 15 per cent direct stake in Reichhold Chemicals, which Dainippon Ink of Japan is keen to take over. Analysts also believe two additional Teledyne stocks, Litton Industries and Curtiss-Wright, could become restructuring candidates.

Profits from these deals plus an estimated $100m a quarter of surplus cash flow from Teledyne's operations means that Dr Singleton has money to spend. The market is hoping for another jumbo stock buyback at perhaps around $400 a share. But a price of about 16 times estimated 1987 earnings is very bad value by Dr Singleton's standards.

While the market whips itself into an orgy of speculation over Teledyne, not one word of enlightenment has come yet from the Avenue of the Stars headquarters of, as Fortune once called him, the 'Sultan of Buybacks.'

Peter Riddell reports on the decision to take court action against the Sunday Times

Contempt charges over spy book

SIR PATRICK MAYHEW, Britain's Attorney General, will this morning start criminal contempt of court proceedings against the Sunday Times which yesterday published four pages of extracts from Spycatcher, the memoirs of Mr Peter Wright, the former MI5 officer.

The Government has sought to suppress the book, both through a continuing case in the Australian courts, now at the appeal stage, and through actions for contempt against a number of London newspapers. The Government argues that Mr Wright is in breach of the contract of lifetime confidentiality of all MI5 officers.

Spycatcher is due to be published in the US this week by Viking Penguin, a New York subsidiary of Pearson which also owns the Financial Times.

In the book, Mr Wright makes a number of allegations about illegal activities by the security services, as well as of bugging of foreign embassies in London.

In a statement yesterday, Sir Patrick's office said that he would start proceedings today in the High Court against the Sunday Times for "criminal contempt of court in respect of the publication of material purporting to be extracts from Mr Wright's memoirs. In so doing he will act in discharge of his independent responsibility for law enforcement (and not on behalf of the Government)."

Three appeal court judges are today due to hear further legal arguments surrounding the Attorney General's appeal against an earlier High Court ruling that three newspapers, the Independent, the London Evening Standard and the London Daily News were free to publish details from the book.

Last year the Government sought and obtained injunctions against the Observer and the Guardian.

The Sunday Times, which has acquired the British serial rights to the book, said yesterday that it had been legally advised that, because of the ruling in the High Court that the Independent and the other two papers had not committed contempt of court, "as the law now stands the Sunday Times is not in contempt by publishing."

Liberal whites end talks with ANC by 'accepting' violence

BY VICTOR MALLET IN DAKAR, SENEGAL

A GROUP of more than 50 South Africans, most of them liberal Afrikaner whites, ended three days of intense discussions with the African National Congress (ANC) yesterday with a call for the release of jailed political prisoners, a commitment to work against apartheid and a controversial statement accepting but not supporting the ANC's use of violence.

The meeting in Senegal, the longest and most important to have been held between the ANC and South African whites, brought together Afrikaner academics, businessmen, artists, and religious leaders with 17 members of the ANC, the popular multiracial opposition movement outlawed in 1960.

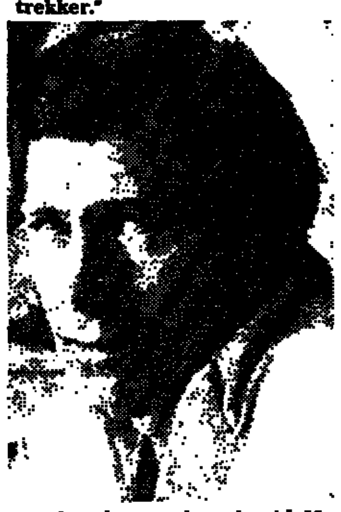
'I think this will probably be in the lives of all of us a very important watershed,' said Mr Andre du Toit, a politics professor, after hours of wrangling over how to change South Africa and what to expect of the constitution and the economy after such a change.

Delegates met in an hotel in Dakar against a background of continued violence and political tension at home. The Government of President P W Botha frowned on the meeting, while extreme right-wingers threatened the white participants and said they should be tried for treason.

One man's wife temporarily removed their daughter from school in Pretoria because she was being victimised by other pupils for her father's involvement. Another man instructed his wife by telephone to instal reinforced glass at their home in case of petrol bomb attacks.

Violence quickly became the central topic of discussion and the issue was highlighted by a bomb in a hotel bar in Johannesburg which injured four people and by the reported killing of three ANC people by gunmen in Swaziland. 'Death is part of the actuality of all the people who are here,' said Mr Thabo Mbeki, leader of the ANC delegation.

Mr Thabo Mbeki (above), leader of the ANC delegation, who describes Mr Frederick van Zyl Slabbert (below) as an Afrikaner pioneer, the "new Voortrekker."



The final joint communique said the whites understood the causes of the black uprising and accepted the ANC's guerrilla war as a historical reality, but were concerned by uncontrolled violence. Two of the more conservative whites, Mr Andre Hamersma of Standard Bank and businessman Mr Tony Williamson refused to put their names to the communique.

No one anticipated dramatic solutions from such discussions between the ANC and a group of whites so far to the left of other Afrikaners that they could not hope to represent the establishment which rules South Africa, but some white fears were laid to rest.

Several of the whites expressed surprise at the ANC's ideological flexibility, its willingness to entertain a mixed economy with a major role for the private sector, and its immediate acceptance of Afrikaner cultural identity and the idea of a bill of rights. At the same time, they criticised what they saw as the ANC's domineering attitude towards other opponents of apartheid and its growing tendency to attack civilians. They also felt it overestimated its own military strength and was unable to control young radical extremists inside South Africa.

'We all go back with much more accurate information about the situation and in a country which is absolutely riddled with disinformation this is essential,' said Mr Frederik van Zyl Slabbert, the Afrikaner politician who organised the meeting. 'A great deal of misunderstandings have been resolved.'

Mr Mbeki described Mr van Zyl Slabbert as an Afrikaner pioneer, the new Voortrekker, and said he and his colleagues formed a bridgehead into South Africa's white community. 'The feeling of common South African-ness between us all was very strong, and got stronger as the days passed.'

Brazil sets fresh targets for economy

By Ivo Dawnay in Rio de Janeiro

THE BRAZILIAN Government is studying a new economic plan setting specific targets for the country's growth, public sector deficit, trade surpluses and investments over the coming five years.

The so-called Macroeconomic Control Plan, drawn up after lengthy consultations by Mr Luiz Carlos Bresser Pereira, Finance Minister, is intended to form the basis for the country's negotiations with foreign creditors on the rescheduling of its $113bn debt.

Widely leaked reports claim that the plan targets:

- growth of 5 per cent this year, rising progressively to 7 per cent in 1991;
- an annual trade surplus of $8.6bn this year, increasing to $10bn thereafter;
- a reduction in the public sector borrowing requirement from over 7 per cent to 3.5 per cent of gross domestic product (GDP) this year, then gradually declining to zero;
- private sector investment rising from 12.2 per cent of GDP to 16.8 per cent at the end of the period, with public sector investment remaining at around 7.5 per cent.

The plan is also said to envisage the inflow of about $6bn in "new money" and debt refinancing this year, some $2bn more than was originally projected. According to reports from Brasilia, the outlines of the package were shown to an International Monetary Fund (IMF) team which returned to Washington this week. Several newspapers claimed yesterday that the mission told Mr Bresser that a more rapid reduction in public expenditure, wiping out the deficit next year, and less ambitious growth targets would be necessary.

The plan is scheduled to be presented to Brazil's Economic Development Council next week, before presentation by the minister to a national convention of the dominant Democratic Movement Party (PMDB).

Mr Bresser is then expected to travel to the US at the end of the month to begin preliminary contacts with the international lending institutions - the IMF, the Inter-American Development Bank and the World Bank - and commercial creditor banks.

Brazil hopes to persuade its creditors that the plan represents an achievable alternative to a full IMF letter of intent, which would impose commitments to meet the Fund's targets. This is usually a prerequisite for new lending for both the commercial banks and sovereign country creditors, gathered in the Paris Club group.

The Brazilian Government has long argued that the imposition of an IMF programme would be politically unacceptable as it compromises national sovereignty on economic issues. Both the commercial banks and the Paris Club are expected to resist fiercely any attempt by Brazil to opt out of a full IMF programme. Despite this hurdle, some foreign bankers believe that Mr Bresser's conciliatory approach to the debt issue and his efforts to cut public spending have earned him considerable goodwill abroad.

●Brazilian prices rose by a record 26.06 per cent in June, outstripping May's 23.21 per cent gain and resulting in a year-on-year increase of 283.04 per cent, Reuter adds. Industrial output for June showed a gain of 5.34 per cent on the year ago level, one of the weakest rises of the past two years.

Bankers welcome US change of plan on Antilles tax treaty

BY STEPHEN FIDLER IN LONDON AND WILLIAM HALL IN NEW YORK

CHANGES BY the US Treasury in its plan to end the country's 40-year-old tax treaty with the Netherlands Antilles were welcomed by international bankers yesterday and are expected to end the recent chaos in the Eurobond markets.

The treaty protects investors from paying a 30 per cent withholding tax on interest income. Late on Friday, the Treasury announced that it was modifying its notice of termination so that interest paid by US companies to their Netherlands Antilles finance affiliates - through which an estimated $30bn of bonds has been issued - will remain exempt after the treaty is abolished at the end of this year.

Citicorp, the biggest US banking group, said yesterday that it was pleased with the Treasury's decision. Along with several other major US borrowers in the Eurobond market, Citicorp had attempted to calm fears last week by saying that it did not plan to "call," or redeem early, its Netherlands Antilles debt while efforts were under way to provide relief for investors.

The US Treasury's original announcement, on June 29, that it was cancelling its tax treaty with the Netherlands Antilles stunned the international bond market. The move threatened to trigger the early redemption of all bonds issued by US companies which had used offshore finance affiliates toborrow more cheaply than elsewhere.

The Association of International Bond Dealers, the Eurobond market's trade association, accused the Treasury of "breaking faith" with international investors and sowing "confusion and dissarray" in the market.

The Treasury subsequently tried to mollify investors by proposing legislation to protect bondholders from paying the 30 per cent withholding tax. This only added to the confusion in the Euromarkets, where prices of some issues had dropped by up to 25 per cent, since it was far from certain that the legislation would be passed by the US Congress.

The bond dealers noted last week that investors had already lost an estimated $120m on six issues totalling $1.39bn which had been called. According to lawyers familiar with the market, the US Treasury needed to act quickly or the pace of bond calls would have accelerated rapidly and there have been estimates that investors faced losses of up to $1bn on the bonds in question.

Rallying US support, Page 17

London establishes futures contract

Continued from Page 1

ly allowing Japanese residents to trade on foreign futures markets.

Although the Tokyo yen bond futures market is expected to remain the largest since its trading period runs in tandem with that of the hugely liquid Tokyo bond market, Liffe's trading mechanisms are more flexible and cheaper to use than Tokyo's

The new contract will be based on Y100m face value of notional 6 per cent long-term Japanese government bonds - large by the standards of other futures markets, and with a hefty Y10,000 minimum price movement.

Positions which are outstanding at the quarterly expiry of contracts will be settled in cash.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	-	-	Dubrovnik	-	-	-	Malta	S	29	84	Rhodes	-	-	-
Algiers	-	-	-	Edinburgh	C	18	64	Manchester	C	17	63	Rio de J'o	S	29	84
Amsterdam	F	19	66	Faro	-	-	-	Manila	C	33	91	Rome	S	32	90
Athens	S	33	91	Florence	S	31	88	Melbourne	F	11	52	Salzburg	-	-	-
Bahrain	S	32	90	Frankfurt	C	28	82	Mexico City	S	26	79	San Francisco	C	20	68
Bangkok	S	35	95	Funchal	-	-	-	Miami	C	30	86	Seoul	C	29	84
Barcelona	S	27	81	Geneva	C	28	82	Milan	-	-	-	Singapore	F	25	77
Beirut	-	-	-	Gibraltar	S	25	77	Montreal	C	32	90	Stockholm	F	21	70
Belfast	C	16	61	Glasgow	C	15	59	Moscow	C	20	68	Strasbourg	-	-	-
Belgrade	S	28	82	Guernsey	F	17	63	Munich	F	27	81	Sydney	S	14	57
Berlin	C	22	72	Helsinki	C	17	63	Nairobi	C	23	73	Taipei	S	36	97
Biarritz	C	24	75	H. Kong	S	33	91	Naples	S	29	84	Tangier	-	-	-
Bombay	F	29	84	Innsbruck	S	28	82	Nassau	-	-	-	Tel Aviv	S	29	84
Bordeaux	S	28	82	Inverness	C	11	52	New Delhi	C	38	100	Tenerife	-	-	-
Brussels	C	19	66	Islamabad	C	31	88	New York	C	34	93	Tokyo	R	27	81
Budapest	S	27	81	Istanbul	S	29	84	Nice	S	27	81	Toronto	C	34	93
B. Aires	C	20	68	Jakarta	C	30	86	Nicosia	S	35	95	Tunis	-	-	-
Cairo	S	34	93	Jersey	F	20	68	Oporto	-	-	-	Valencia	-	-	-
Cape Town	F	16	61	Jo'burg	F	15	59	Oslo	F	19	66	Venice	S	28	82
Caracas	-	-	-	Lima	C	21	70	Paris	F	23	73	Vienna	S	29	84
Casablanca	-	-	-	Lisbon	S	28	82	Peking	S	30	86	Warsaw	C	22	72
Chicago	C	33	91	London	C	22	72	Prague	-	-	-	Washington	S	26	79
Cologne	F	21	70	Los Angeles	C	27	81	Reykjavik	-	-	-	Zurich	-	-	-
Copenhagen	F	20	68	Luxembourg	F	22	72								
Corfu	-	-	-	Madrid	S	29	84								
Dallas	S	24	75	Majorca	S	31	88								
Dublin	C	19	66	Malaga	S	27	81								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Poindexter to testify

Continued from Page 1

Maine Republican, described this disclosure as by far the most important, and disturbing, since the live broadcast hearings began 10 weeks ago.

Senator Daniel Inouye, the Hawaii Democrat and Watergate committee veteran who chairs the Senate side of the investigation, said yesterday that Col North's activities appeared to undermine the principles of democracy. But he said: 'I have not seen anything as far as I am concerned that would be sufficient grounds to impeach the President of the United States.'

Committtee members are outraged by Col North's confession that he deliberately lied to Congress about his activities and that this deception was part of a pattern within the executive branch of the government, where, Col North claimed, he, Mr Casey and Admiral Poindexter, concealed details from other cabinet officials.

THE LEX COLUMN

The mysteries of the Orient

Calling the turn in the Japanese stock market is one of life's less rewarding experiences. Last year it recovered after a fall in value of almost a quarter. So the correction of no more than 10 per cent over the past three weeks will have frightened only the inexperienced. Yet the market is fighting against mighty natural forces, which are far more significant than inflated price/earnings ratios: the fundamental problem is that the trade surplus requires a compensating capital outflow, unless the home economy is to be completely strangled by yen appreciation. And as yet the Japanese wall of money has remained overwhelmingly domestic, with only the US bond market a real competitor for funds. To the extent that the Japanese have been hedging these investments with dollar borrowings, even this diversion is very diluted medicine for the gross trade imbalance.

The main deterrent to Japanese investment in foreign markets other than the US, is lack of liquidity. Some research by UBS-Phillips & Drew appears to suggest that this problem is relatively small. The P&D model implies that a swing of as much as 5 per cent in Japanese capital outflows, directed at the UK, would result in an appreciation of only 1.7 per cent in share prices, or only 2.2 per cent in gilts. If this is right then the UK market should be much less effusive about the effects of Japanese money, and the Japanese should be less worried about not getting good prices. Yet these figures seem to be based on the assumption that the money would be evenly spread. In fact the Japanese like to hit a few high capitalisation stocks in the UK, and time and again have found that they must pay premium prices to buy, and then sell at a discount.

Wall St winners

It would have been a brave investor who backed Bethlehem Steel at the 'start' of the year rather than a blue-chip company like Boeing. Bethlehem had notched up combined losses of $2.1bn over the last five years and looked like following fellow steelmaker LTV into the bankruptcy courts, whereas Boeing had just reported record earnings and an overflowing order book.

Boeing's shares have since dramatically underperformed the market, and Bethlehem's have jumped from $6¾ to $17¾. According to figures compiled by Advest, the US brokerage firm, Boeing shares were the worst performer in the Dow Jones 30-share industrial average over the last six months, while Bethlehem Steel came top, followed by Goodyear Tire, Navistar International, Alcoa and USX - all fully paid-up members of the American rust-belt club.

There are plenty of explanations for Boeing's dismal share price performance. Despite a surge in its order book, deliveries of its 747s, which cost upwards of $100m each, will dip sharply this year before picking up again next year. Demand for its newer 757 and 767 jets has been below expectations because lower fuel prices are helping cash-strapped airlines to hold on longer to their older, less fuel-efficient aircraft. Earnings this year are forecast at $3.35 per share against $4.28.

Concerns about this temporary dip do not fully explain the weakness of the share price. Some worry about Boeing's potential liability following the 1985 crash of a Japan Airlines jet which killed 520 people, others about the competitive threat from Europe's Airbus Industrie, which has already put pressure on Boeing's prices and is chipping away at Boeing's 60 per cent share of the worldwide commercial jet market.

But there is a growing school of thought that Boeing's problems are being exaggerated. The dollar's decline has greatly strengthened the group's competitive edge over Airbus Industrie, and US analysts estimate that earnings per share will have more than doubled to $8 by 1988 when production of its latest generation of jumbo jets gets into its stride.

The outlook for Bethlehem Steel is far less rosy. US Steel, the industry leader, is no longer on strike and Bethlehem believes that unless the US Government steps in, the US steel industry will 'remain mired in a vicious circle of too much steel supply chasing too little steel demand with high exit costs preventing the needed downsizing of the industry'.

Quoted UK

So far 1987 has been another good year for Quoted UK, the broadly diversified group which communicates with its shareholders through brokers Hoare Govett. First half profits are 27 per cent up at £26bn and would have been even higher but for the translation of overseas profits - around 40 per cent of the total - at higher sterling rates. Earnings per share growth has lagged somewhat as a result of dilution from the many acquisitions, though a rise of 18 per cent is still far in excess of inflation. A near 15 per cent increase in the dividend should satisfy investors.

The striking element in the figures has been the rise in margins in the industrial division, where the return on capital is now over 20 per cent, as further productivity gains have been scored. The company seems to be making the most of the buoyant economic conditions in the UK market, but at the same time investment abroad is continuing at a cracking pace - another £12bn has been spent in the US alone.

The final results for 1987 will depend on how much the group's banking division decides to provide against its Third World loans. A pre-tax write off of more than £2.5bn might be made and that would cut earnings per share growth by six percentage points. Further ahead earnings growth must slow as the benefits of rationalisation have largely been taken. But the chairman is as confident as the stock market appears to be of continued gains.

Japanese bond contract to add zest to Liffe

BY ALEXANDER NICOLL IN LONDON AND YOKO SHIBATA IN TOKYO

NEW FUTURES contracts sometimes flop spectacularly. But if any appears to have the ingredients of a sure-fire success, it is the Japanese government bond contract to be launched on the London International Financial Futures Exchange today.

Liffe has developed the contract in close consultation with Japanese houses which are likely to be enthusiastic users, and with the Tokyo Stock Exchange which has a highly successful contract of its own.

The years which prospective Japanese futures traders have spent trooping studiously through the visitors' galleries of foreign futures exchanges, observing the apparently chaotic open outcry system, can thus start to pay off in earnest.

Liffe has 29 Japanese members but until today they have been virtually dormant. Many have staffed up for the launch, and more are looking to buy memberships, adding to the already severe pressure on Liffe's capacity which has more than doubled seat prices to £220,000 this year. Each seat entitles the holder to just one floor trader, and Liffe is planning later this year to take measures – possibly including a rights issue of seats – which will alleviate the capacity problem.

Nomura has hired a floor staff of three. Bank of Tokyo Capital Markets will not have a floor trader, but has assembled a trading and sales team of a dozen people.

Today will no doubt see a good deal of the "congratulatory" trading which marked the opening of the Tokyo futures market in 1985 – only to end in disaster when monetary conditions were tightened a few days later and the market crashed. After that setback, business built rapidly.

Liffe will be hoping for a smoother build-up of volume as participants feel their way and as liquidity grows in the bond market itself.

Nobody knows the size of the London market in Japanese government bonds underlying the Liffe contract. The estimated total of Y500bn to Y1,000bn, however, is concentrated almost entirely in the active No. 89 bond.

The arrival of the Liffe contract, coupled with the hoped-for introduction of an inter-dealer broker's screen in London for the Japanese market, could spread the liquidity of the cash market more widely – though even in Tokyo, most trading is concentrated in the No. 89 bond.

The Tokyo futures contract is used heavily for speculation, and that is also likely to be the pattern in London, though the futures allow more efficient hedging of government and Euroyen bond positions.

Liffe will have some advantages over its Tokyo counterpart. Transaction costs will be sharply lower because commissions are fixed in Japan – though the Tokyo Stock Exchange has proposed to cut them to a quarter of their current level by August – and margins are payable in London only on net positions instead of each individual short or long position as in Tokyo.

Liffe, which has no daily price limits on its other contracts, has compromised with Tokyo which suspends trading for the rest of the day if prices move more than Y2. Liffe has a Y1 limit but suspends trading only for an hour after which business proceeds without limit.

Open outcry will allow for continuous pricing, while in Tokyo the system under which "saitori" men match orders can create breaks in which no price is available.

In Tokyo, banks are preparing for long nights as 24-hour trading approaches. One bank said it is considering a triple-shift system for traders and the establishment of rooms for naps. One senior executive says: "The bank will order junior staff to cover trading on Liffe, instead of playing Mahjong in the evening."

INTERNATIONAL BONDS

Drive for US market support

A DRIVE was on in the Eurobond market last week to demonstrate that US companies should not be deterred from issuing bonds writes Clare Pearson in London.

This was designed to counter the disquiet created as some borrowers called outstanding issues, taking advantage of uncertainty over the withholding tax treatment of Eurobonds issued through Netherlande Antilles subsidiaries.

The uncertainty was brought to an end over the weekend when the US Treasury, bowing to pressure from the market, announced that interest paid by the offshore affiliates of US corporate borrowers would continue to be exempt from withholding tax.

A handful of borrowers including Bank of Boston, RJR Nabisco and J. C. Penney opted to redeem bonds early, even though the US Treasury had already indicated that Eurobonds might be exempted from the effects of the abrogation of its tax treaty with the Antilles. It is now unclear whether the companies can go ahead with the calls.

These redemptions, which capitalise on the fall in interest rates since the early 1980s (US withholding tax on Eurobonds was removed in 1984, so issuers have not needed to borrow through offshore havens since), were widely viewed as opportunistic and unfair.

According to the Association of International Bond Dealers, the potential calls amount to $1.39bn principal amount which would constitute a loss to bondholders of some $120m.

It was thought likely last week that the calls would tarnish the image of US companies in the Eurobond market. Nevertheless, four US borrowers managed to launch Eurodollar bond issues, meeting reasonably good receptions, although lead-managers were handling some of the offerings with kid gloves.

Lead-managers of the issues for Franklin Savings and Fuqua Industries said documentation included unusually tight tax call provisions, designed to prevent a call unless withholding tax law was changed. Provisions have varied widely, but the more common form allows for a call if there is a high probability of a change in the tax position.

Though GMAC's issue incorporated a slightly less severe clause, dealers said a general tightening-up of tax call provisions would become necessary for US corporate issues.

At a meeting today of the International Primary Market Association (IPMA), the trade association which groups Eurobond issuing houses, houses were expected last week to discuss issuing a guideline to standardise tax call clauses.

It is ironic that this extra difficulty for US companies should have arisen at a time when, thanks to the relative stability of the currency, market conditions for raising dollar funds could be turning in their favour.

Because of the thin supply of paper over the last months, new issue managers say rates for some borrowers, at some maturities, have now become competitive with those available in the US domestic corporate bond market.

Most of the last week's issuers in the Eurodollar market tapped shorter maturities, as investors are still wary of moving further out along the yield curve despite attractive interest rates.

Elsewhere, the main feature was the reappearance of bonds with warrants to buy shares in Japanese companies, despite earlier declarations by securities houses that the market was closed for the time being due to heavy oversupply.

The view was undermined by Nikko Securities' decision to issue two bonds the week before. This must have made it harder for the other securities houses to persuade borrowers that they were unable to tap the market.

Nomura was still holding out. It did not join the management groups of the other houses' bonds, and had no immediate plans to lead any issues. Up to eight new bonds are expected to emerge from the stables of the other houses this week.

EUROMARKET TURNOVER
Turnover ($m)

	Straights	Conv	FRN	Other
Primary Market				
US$	1,016.1	285.4	644.5	4,614.6
Prev	1,281.1	459.6	460.0	5,396.6
Other	2,865.3	177.8	–	398.1
Prev	2,802.8	9.8	68.0	599.8
Secondary Market				
US$	21,298.1	1,466.0	8,772.4	7,453.5
Prev	26,413.8	3,080.3	10,583.2	6,157.4
Other	21,192.2	618.3	3,429.8	11,104.5
Prev	24,819.0	1,241.3	6,660.7	13,902.1

	Cedel	Euroclear	Total
US$	13,389.2	31,969.4	45,358.6
Prev	14,023.2	38,808.8	52,832.0
Other	16,599.4	23,206.4	39,805.8
Prev	19,370.0	30,733.5	50,103.5

Week to July 9 1987 Source: AIBD

Alcoa plans to take $165m charge in second quarter

BY WILLIAM HALL IN NEW YORK

ALCOA, the world's largest aluminium producer, which last month strengthened its top management team by hiring a new chief executive from outside the group, will take a $165.7m after-tax charge in its second quarter.

The bulk of the charge – some $124.9m – relates to operations that the company intends to phase out or shut down during the next two years. This includes refining capacity that is no longer competitive in the world market, the permanent shutdown of one smelting potline in Surinam, and the write-down of fabricating facilities as the result of modernisation and restructuring.

Alcoa says that it will make specific announcements concerning the refining and fabricating facilities.

The group is also taking an extraordinary charge of $23.9m to cover the cost of retiring early nearly $300m of high-interest rate debt and a $16.9m charge for the economic impairment of shipping operations.

Alcoa earned $53.3m, or 63 cents a share, in the second quarter of 1986 and says that if the special charges are excluded it expects to report a significant improvement in income from operations over the first quarter and prior year quarterly results. It says that this is due to "the improving economic fundamentals in the world aluminium industry."

Alcoa's shares closed at $55¾ on Friday and the company says that it will report its second-quarter results on Friday.

Last month Mr Paul O'Neill, 51, quit his job as president of International Paper and took over as chairman and chief executive of Alcoa following the early retirement of Mr Charles Parry. The company's decision to hire a new chief executive from outside the group for the first time in its 99-year history surprised some observers but has been welcomed by Wall Street as an indication that Alcoa is intent on getting to grips with its deep-seated problems.

CREDITS

BTR £1bn mandate to Bankers Trust

BTR, the UK industrial holding company, has awarded the mandate for a £1bn financing to Bankers Trust International, writes Stephen Fidler in London.

The financing, half of which will be committed, is in the form of a multi-option facility, which has proved a cheap and flexible borrowing method for British companies this year.

Up to $300m of the committed portion will be available to BTR Dunlop, the US holding company.

Such facilities often back up commercial paper (CP) facilities, and it is thought likely that BTR may follow with a dollar CP programme.

UK borrowers dominated a rather quiet market this week. Other potential entrants are being held up for a variety of reasons: the problems of the utility Fecsa, for example, are holding up a queue of would-be Spanish borrowers and the slow progress of the deal for Companhia Nacional de Petroquimica may be keeping other Portuguese borrowers out. Still others may be waiting to prove wrong their bankers, some of whom have been advising them that margins are on their way up.

As reported, British Airways has awarded a mandate for a $2bn financing to replace its fleet of 19 Lockheed Tristars, to National Westminster, Chemical and Mitsubishi banks.

NatWest also led a £70m financing to support the £160m management buyout of the Compass Group, Grand Metropolitan's contract services division. The seven-year loan carries a margin of 1.5 per cent over London interbank offered rate, and should be signed on July 24.

Credito Italiano became the first Italian bank to establish a Eurocertificate of deposit programme, appointing Merrill Lynch International as dealer.

In the Eurocommercial paper market, Novo Industri, the Danish pharmaceuticals concern, established a $100m programme arranged by Morgan Guaranty, with Copenhagen Handelsbank and SBCI also as dealers.

Ostgota Enskilda Bank of Sweden has a similar-sized programme through Svenska Handelsbanken, with Chase and Warburg as dealers. It is supported by a $30m revolving credit.

Solvay of Belgium appointed Deutsche Bank Capital Markets to arrange its $100m programme. Other dealers include Citicorp, Generale Bank, Manufacturers Hanover and Morgan Guaranty.

Israeli munitions group to lay off workforce

SOLTAM, a leading Israeli manufacturer of field artillery and ordnance, plagued by dwindling orders for several years, is to close temporarily from this week, writes Judith Maltz in Tel Aviv.

The company, 75 per cent owned by the Koor congolomerate, is putting all its staff on paid leave for a month and will then decide whether to extend the layoffs without pay until further recovery measures are adopted.

Soltam, which has annual turnover of more than $100m, is heavily dependent on overseas markets for its sales. Currently it has no firm export contracts in hand. Meanwhile, the value of its unsold inventories has accumulated to over $80m.

Analysts have attributed the virtual cessation of Soltam's sales in recent months to the fact that its prices are no longer competitive with those of manufacturers in other countries, especially Taiwan. Like other Israeli defence companies, Soltam has also been hurt by cuts in orders from the Israeli Defence Ministry.

According to Mr Shlomo Zabludowicz, the chairman and holder of the remaining shares in the company, Soltam has been losing $250,000 every day it stays open.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Indications are that a quiet summer is in prospect for investors

DULL MARKETS breed confusion. *This cliche has been* underlined in the gilt-edged market over the last week or so.

The usual spate of circulars from market-makers has been telling investors alternately that monetary policy needs to be tightened, that it already has been tightened, or that there is no need to worry.

The start of the annual public spending round meanwhile has brought the usual, probably well-founded, concerns about the vulnerability of the government's spending targets.

But the evidence from the other side of the official balance sheet is brighter. Revenues remain bouyant, boosted by the strength of the econmy, higher oil prices, and the privatisation bonanza.

The apparent contradictions have left the gilt-edged market becalmed, with only occasional flurries of activity in response to sterling's shifts on foreign exchange markets. The signs are that it will take an unexpected external shock to push the market decisively out of the present narrow trading range.

On the domestic front it is hard to escape the conclusion that monetary policy has loosened. In an ideal world, the Bank of England would probably prefer to see short-term interest rates slightly higher—perhaps 9½ per cent rather than 9 per cent.

Rapid growth in broad money, in part a reflection massive foreign exchange intervention in the run-up to last month's general election, sharp rises in asset prices and a rebound in pay settlements are all taken seriously.

The Bank does not appear as sanguine as those who argue that such trends can be indefinitely ignored so long as the exchange rate remains firm. Instead they are seen as early warning signals. The same pressures which impact on domestic inflation may eventually hit the exchange rate, and the aim of official policy is to anticipate rather than react to such an eventuality.

That is not to say, however, that the authorities are intent on deliberately tightening policy — either through higher interest rates or by taking the lid off the exchange rate.

Contrary to the more pessi*mistic speculation*, the official strategy since the election has been aimed at helping gilt-edged yields to consolidate at around 9 per cent. That aim was reflected in Friday's decision to restrict the latest funding to a specialist stock, the 3 per cent Treasury 1992.

While the recent uptick in some money market rates — giving the slight upward slope in the yield curve implied by the Bank's own dealing rates—was probably welcomed, there is no official pressure for a further upward move.

The key, if not overriding, policy objective is still to sustain industrial confidence by convincing businessmen that the authorities will not revert to a "hands-off" approach to exchange rate.

There is also a sense that the present stance of monetary policy may be gradually validated as the year progresses.

Although currency intervention has left the public sector borrowing requirement significantly underfunded, the pace of gilt sales in the last few months has been *impressive. Assuming no fur*ther intervention, funding at a slightly lower level over the last nine months of the financial year would allow the Bank to meet its full-fund objective.

If the exchange rate were to fall, intervention in favour of the pound would mean a faster erosion of the liquidity build-up, bringing a natural tightening of policy.

Fiscal policy may also be supportive. Though it is too *early to make firm projections* of the PSBR outturn, the signs point to an undershoot of the £4bn target.

A raid on the contingency reserve and extra privatisation receipts may be enough to pay for prospective increases in public spending. That would leave an expected overshoot in tax revenues to be shared between a lower PSBR and tax *cuts in the next Budget.*

There are, of course, a lot of "ifs" and, overall, the risks are probably tilted towards a rise rather than a fall in interest rates. But those investors who look forward to a quiet summer can probably do so with more confidence.

Philip Stephens

US MONEY AND CREDIT

Regulators push markets into chaos

THE US debt markets have been dominated by their own internal problems over the last fortnight. For a change investors have been spending far more time monitoring the acitivities of the regulators than worrying about the implications of rising tension in the Middle *East or Colonel Oliver North's* testimony on Capitol Hill.

The US Treasury's decision on June 29 to tear up the tax treaty with the Netherlands Antilles, a favourite tax haven for US corporate borrowers, was the first bombshell to hit the market.

Suddenly, holders of more than $30bn of US corporate Eurobonds faced the prospect of having to pay a 30 per cent withholding tax on their interest payments from the beginning of next year. The announcement created havoc in the Euromarkets and caused considerable embarrassment for many US corporate borrowers anxious to maintain the goodwill of international investors.

The second shock was the news that federal investigators had launched a far-reaching probe into the tax-exempt municipal bond market. Various questions are being examined. They range from whether the several billions of dollars raised in tax-exempt issues was used for legitimate purposes, to whether up to $12bn of tax-exempt bonds were "parked" illegally and laetr sold to genuine investors after changes in the tax laws. The fear that income from these issues might be declared retroactively taxable has caused chaos in the municipal market.

The US Treasury was quick to realise that it had blundered. Although Mr Roger Mentz, the luckless assistant Treasury Secretary in charge of tax policy, appears amazed by the violent reaction of the Eurobond markets to the US decision to tighten up on tax evaders, he has spent the last week manfully cleaning up the mess.

Late on Friday a humiliated Treasury amended its earlier announcement to ensure that investors holding bonds issued through the offshore affiliates of US corporations would not be subject to withholding tax on their interest payments.

By contrast, the uncertainty engendered by the investigations into the municipal bond market does not look like it can be solved as quickly.

Against this background, the credit markets marked time for much of last week as traders returned from their July 4 celebrations. A stronger dollar and a smaller-than-expected 0.2 per cent rise in US producer prices last month helped calm inflationary fears but investors remain cautious.

Oil prices have risen to their highest level in 18 months and the increasing tension in the Middle East combined with rises in other commodity prices keep inflation fears alive. Salomon Brothers notes in its latest Comments on Credit that the Federal Reserve has, in recent weeks, become noticeably more relaxed in its conduct of open market operations.

In the latest week, the Fed permitted a fairly substantial build-up of reserves, reflecting declining Treasury deposits and surging holiday float, without taking offsetting actions. This has contributed to a softer tone in the Fed funds market, says Salomon. However, the firm believes the Federal Reserve will work to keep the funds rate at around 6½ per cent.

In the money markets short-term rates have fallen considerably from the levels reached in April and May, when the free-fall in the dollar precipitated a collapse in the bond market, and hopes are beginning to rise of an early cut in US bank prime rates.

Six-month US Treasury bill yields have declined more than 75 basis points from their mid-May peak of 6¼ per cent and, while the cost of bank funds has not fallen as much, the rates on three-month prime certificates of deposit have decreased 50 basis points over the past couple of months. As a result the banks could easily justify a quarter point cut in their 8¼ per cent prime rates.

In the corporate bond market there was a sizeable upturn in new issue activity last week with First Boston's figures showing $3.6bn of fixed income securities brought to market—an increase of more than a third on the previous week.

Smith Barney notes in its latest credit market comment that after a three-month absence of foreign currency *denominated launches, two Aus*tralian dollar issues were priced last week. For General Mills, A$100m of three-year notes bearing a 14 per cent coupon were priced at 101.8 to yield 13.5 per cent, or 25 basis points above comparable Australian government paper.

Meanwhile Pepsico issued A$50m of similar maturity notes on a 13.5 per cent coupon which were priced at 101 to yield 13.086 per cent, or 9 basis points above comparable government paper.

This is believed to be the first time foreign currency denominated deals have been priced above par in the US.

Smith Barney says that it was done partly to provide high current yields sought by high-yield mutual funds.

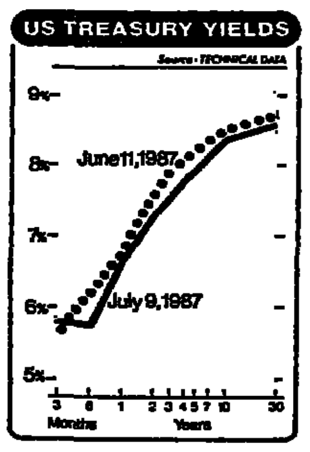
Among the well-known names coming to market last week American Express raised $300m of 8⅝ per cent non-callable seven-year notes on a yield of 8.75 per cent, or 60 basis points above comparable US Treasury paper, and SmithKline Beckman raised $150m of similar maturity paper on a slightly higher coupon of 8¾ per cent. The issue, which was increased in size, was priced at 99.7 to yield 8.808 per cent.

Standard & Poor's, the credit rating agency, had some good news last week for bondholders who have had to put up with a steady decline in the quality of existing debt and paper being brought to market over the last year and a half.

It noted that the pace of downgrading of corporate debt eased in the second quarter. S & P lowered the long-term ratings on 79 issues in the second quarter—the same number as in the previous quarter

William Hall

US TREASURY YIELDS



US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.83	6.82	6.70	11.34	5.71
Three-month Treasury bills	5.60	5.45	5.56	6.00	5.01
Six-month Treasury bills	5.65	5.76	5.86	6.39	5.06
Three-month prime CDs	6.62	6.85	6.75	7.25	5.46
30-day Commercial Paper	6.50	6.70	6.90	7.78	5.55
90-day Commercial Paper	6.65	6.73	6.65	7.05	5.45

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	99⅞	nil	8.34	8.34	8.34
20-year Treasury	100⅝	−⅛	8.63	8.62	8.56
30-year Treasury	103⅝	−¼	8.47	8.44	8.47
New 10-year "A" Financial	n/a	−⅛	9.25	9.20	9.30
New "AA" Long utility	n/a	−1	9.45	9.35	9.50
New "A" Long Industrial	n/a	−1¼	9.62	9.45	9.50

Source: Salomon Bros (estimates).

Money Supply: In the week ended June 29 M1 fell by $7.7bn to $742.4bn

NRI TOKYO BOND INDEX

December 1983 = 100	Performance index 9/7/87	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	137.80	4.62	138.59	139.44	132.50
Government Bonds	137.98	4.28	140.42	141.55	133.36
Municipal Bonds	137.32	5.12	138.65	139.34	132.83
Government-guaranteed Bonds	138.12	5.19	138.80	140.18	133.58
Bank Debentures	132.51	4.29	133.59	133.82	128.87
Corporate Bonds	136.36	5.43	137.05	136.87	131.06
Yen-denominated Foreign Bonds	139.38	4.13	139.46	136.00	133.38
Government 10-year†	4.51	—	4.58	4.35	5.32

† Estimated par yield.

Source: Nomura Research Institute

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABN Bank 8½ 91	150	99⅞	0	8.64
Aetna Life & Cas 7⅛ 16	200	96⅞	0	8.21
ANFC O/S Fin 11¼ 94	100	99⅞	−1¼	11.82
[illegible]				
Pru Rlty Secs 0 99	365	30⅞	+⅛	10.07
Qantas Airways 8⅝ 96	97	96⅝	0	9.25
Quebec Prov 13 90	150	110⅝	+⅛	9.80
[illegible]				
Ontario Hydro 11¼ 89	200	106⅝	−0⅛	8.15
Ontario Hydro 11⅝ 94	200	112¼	−0¼	9.06
Ontario Hydro 11¾ 90	200	109¼	0	8.32
Ontario Hydro 13½ 91	100	114¼	−0¼	8.54
Ontario Hydro 14¾ 89	150	110¼	0	8.07
Ontario Hydro 15 92	150	118⅞	−0¼	8.86
Pacific Gas & El 12 00	75	110⅞	−0¼	10.46
Penney J C 11⅞ 90	100	101⅞	+0¼	11.32
Penney J C 12¾ 91	100	107¼	0	10.35
Pepsico Capital 8⅞ 91	100	101	−0¼	8.85
Petro-Canada 7¼ 96	200	88⅞	−0¼	9.21
Philip Morris 9⅞ 98	200	102⅞	−⅞	9.49
PostOch Kred 13½ 87	50	100¼	−⅛	7.54
Postipankki 11⅛ 90	75	105	0	8.89
Proctor & Gam 10 95	150	105⅞	−⅛	9.05

CONVERTIBLE BONDS	Issued	Bid price	Chg on week	Prem
American Bankers 5¾ 01	70	96¼	0	46.02
BET 6¾ 01 £	65	132	+2⅞	−6.72
Canon 3 00	100	115⅞	−9⅞	−8.78
Citizen Watch 3 00	50	157¼	0	−9.89
Eastman Kodak 6⅜ 01	300	121¼	+0¾	3.25
Elders UK 5¾ 98	175	134	0	0
Fanuc 3¾ 98	80	265⅝	−23⅝	−5.78
Fujitsu 3 99	100	144	−15	−10.17
Gibraltar Savings 7½ 06	100	98⅞	−1⅛	25.35
ITT 4¾ 87	50	105¾	+1⅞	−0.51
Kinder-Care Int 6¾ 98	50	120⅞	+4½	95.64

BOND WARRANTS	Expiry date	Bid price	Chg on week	Yield
Aegon Ins 11½ 91	15/2/88	42½	−43⅞	9.21
Citicorp 8 96	1/10/88	5½	−47¼	7.91
Den Norske Crd 8¼ 96	8/8/89	8½	−46⅞	8.11
Denmark 12¼ 92	31/1/90	116¼	+4⅞	9.44
Finnish Exp Cr 12¼ 91	21/11/89	120	+7¼	9.25
General Elec Crd 12 94	15/11/87	93¼	−15¼	10.11
McDonalds 11⅛ 94	5/1/89	53¼	−51⅞	9.93
Mitsubishi Fin 12⅝ 91	8/11/89	116¼	+4½	9.21
Morgan J P 11⅛ 90	16/8/87	47½	−57⅛	8.97
Nordic Inv Bank 7⅞ 96	30/10/91	7½	−8½	7.75
Westpac Bankg 12⅝ 92	31/1/90	113¼	+2⅞	9.42
WeyerhaeuserC 11½ 90	15/11/87	51¼	−54¼	9.12

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on July 10.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Brussels airport flotation go-ahead

BY QUENTIN PEEL IN BRUSSELS

THE BELGIAN Government has given its blessing to a scheme for the private control of Brussels international airport through a new company to be floated on the stock exchange.

Brussels Airport Terminal Company (BATC) will have a share capital of some BFr 3.75bn ($98m), divided roughly one third each among Regie des Voies Aeriennes (RVA), the Government's existing airport authority; four major institutional shareholders; and ordinary shareholders. Minority shareholdings would also be reserved for airport users, and airport personnel.

The plan was approved by the Council of Ministers on a proposal by Mr Herman De Croo, the Minister of Transport.

Although much less ambitious than the UK government's sale of BAA, the scheme for Brussels' Zaventem airport is an important step for Belgian government privatisation plans.

It was conceived by Mr De Croo in the light of severe government budget austerity limiting the capital available to RVA to carry out increasingly urgent renovation and extension of the present airport buildings.

The new company's aim will be to invest some BFr 52bn over 30 years to keep pace with a growth in traffic expected to double the number of passengers passing through the airport to 12m a year by the end of the century. The present terminal was opened in 1958.

The deal agreed by the Council of Ministers allows a larger share for the airport authority than originally proposed, expanding share capital to BFr 3.75bn instead of BFr 3.25bn, with the extra BFr 500m going to RVA in the form of 200,000 extra shares for ownership of the present terminal.

RVA will have 30.77 per cent of the new company, with a similar proportion shared among the four major institutional investors – Société Générale, Société Nationale d'Investissement, Groupe Bruxelles Lambert, and Almanij.

Another 30.77 per cent of the shares will be offered on the Brussels stock exchange, while of the remainder, 6.7 per cent will go to airport users, and 1 per cent to airport staff.

Golder Thoma to raise $50m outside US

BY CHARLES BATCHELOR IN LONDON

GOLDER THOMA & CRESSEY, a private US venture capital fund manager, plans to raise $50m of a new $150m to $200m fund in London and other financial markets outside the US.

It is the latest in a growing number of US venture fund management moves to try to raise some money across the Atlantic. Earlier this year Montgomery Consumer Investments raised $20m of a $70m fund in Europe.

Golder Thoma already manages two venture capital funds, the first of which has invested $60m since 1980 and shown a compound annual return of 31 per cent. The second fund raised in 1984 has $100m to invest and has shown a return of 43 per cent.

Based in Chicago, Golder Thoma has specialised in founding new companies in fragmented industries such as paging, telemessaging, funeral homes, and bottled water. Its investments range from early stage financing to management buyouts.

Eli Lilly boosts profits to $355m in quarter

BY OUR FINANCIAL STAFF

ELI LILLY, the US pharmaceuticals group which last week offered compensation to some UK sufferers from effects of its Opren anti-arthritis drug, boosted interim net earnings 19.1 per cent to $355.5m, or $2.42 per share compared with $2.07.

Sales were ahead 11.2 per cent to $2.08bn as the company's rate of growth picked up in the second quarter, when net profits were up 19.6 per cent to $150.3m on revenues 15.7 per cent higher at $1.02bn ($1.03 a share against 87 cents).

The Indianapolis-based Lilly faces 1,500 British claims related to Opren in a hearing due to start later in the year.

Meanwhile, Moët-Hennessey of France has been suggested as a possible buyer for Elizabeth Arden, the cosmetics and perfumes producer which Lilly put up for sale more than three months ago. The disposal could raise as much as $500m for Lilly, where earnings progress slowed last year.

General share offer for Petro Canada

By Robert Gibbens in Montreal

THE PRIVATISATION of Petro-Canada, the national oil company, will be carried out through a general share offer to the public, according to Mr Marcel Masse, the energy minister. However, the Canadian Government has not yet decided whether to make the offer available to foreign investors.

The timing of the Petro-Canada offer, possibly to be made in more than one stage, will depend on market and other conditions, including the sale of shares in Air Canada, the national airline.

A public issue of about 30 per cent of Air Canada is expected in the autumn and the Petro-Canada issue would follow.

Mr Masse also made clear that the Government will retain an interest in both crown corporations.

● British Columbia Forest Products, 47 per cent owned by Fletcher Challenge of New Zealand, will install a 213,000 tonnes capacity newsprint machine alongside its mechanical groundwood pulp mill at MacKenzie, in inland British Columbia, with start-up due early in 1989.

The nearby sawmills will be modernised and the project will cost C$212m (US$160m), to be handled through Finlay Forest Industries, a 50 per cent-owned subsidiary.

BC Forest announced last Friday that it earned C$65.1m, (C$1.15 a share) in the first six months, up from C$24.8m, (49 cents a share) on sales of C$680m, against C$594m. The gain came from strong market conditions for kraft pulp, newsprint and wood products. Coated paper sales improved but prices weakened, due to overcapacity.

● The Federal Court of Appeal has overturned a ruling by the Canadian Radio-Television and Communications Commission that Bell Canada must repay C$200m to about 6m telephone subscribers mainly in Ontario and Quebec.

In the landmark case the court found that the CRTC overstepped its powers as national regulator of telecommunications in ordering the Eastern Canada telephone utility to repay the C$200m.

Earlier the CRTC had found that Bell had exceeded its permitted return and had overcharged on long distance calls.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
US DOLLARS							
Sanraku Inc. ¶‡	100	1992	5	2½	100	Nomura Int.	2.500
C. Itoh ¶‡	300	1992	5	2¼	100	Nikko Secs (Europe)	2.250
C. Itoh (d) ¶‡	200	1992	5	2¼	100	Nippon Kangyo K'maru	2.250
Onoda Cement ¶‡	100	1992	5	2¼	100	Nikko Secs (Europe)	2.250
Fuqua Industries §‡	75	2002	15	6½	100	Chemical Bank Int.	6.500
Council of Europe ‡	100	1994	7	8¾	101¾	Goldman Sachs Int.	8.409
Franklin Savings Ass. ‡	250	1989	2	8⅛	100.925	Morgan Stanley Int.	7.609
Yasuda Fire & Marine ¶	100	1992	5	(2¼)	100	Daiwa Europe	•
Yasuda Fire & Marine (d) ¶	50	1992	5	(2¼)	100	Yamaichi Int. (HK)	•
Sumitomo Tst & Banking §	100	2002	15	(1¾)	100	Sumitomo Trust Int.	•
Daewoo Corp. (c) †‡	175	1995	8	3/16	100	LTCB Int.	–
GMAC ‡	200	1990	3	8¼	101	Salomon Brothers	7.883
Desjardins du Quebec ‡	30	1994	7	9⅛	101¾	IBJ Int.	8.780
Kirin Brewery ¶	500	1992	5	(2¼)	100	Nikko Secs (Europe)	•
American Brands ‡	150	1992	5	8⅞	100⅞	Morgan Stanley Int.	8.652
Odakyu Electric R'way ¶	150	1992	5	(2⅜)	100	Yamaichi Int. (Eur)	•
Mitsubishi Rayon ¶	100	1992	5	(2⅜)	100	Yamaichi Int. (Eur)	•
CANADIAN DOLLARS							
Ford Credit Canada ‡	100	1994	7	10	101½	Orion Royal Bank	9.695
Akzo ‡	60	1990	3	9¾	101¼	Orion Royal Bank	9.254
Nordic Inv. Bank ‡	75	1992	5	10	101⅝	Bankers Trust Int.	9.576
Nat. Bk Mortgage Corp. ‡	75	1992	5	10	100¾	Societe Generale	9.801
AUSTRALIAN DOLLARS							
Coles Myer Finance §‡	125	1997	10	9½	100	CSFB	9.500
Bank of Nova Scotia ‡	50	1990	2½	14⅞	101½	CSFB	13.515
IBM Australia Cr. ‡	60	1989	2	13¾	101⅜	CSFB	12.927
Council of Europe ‡	80	1992	5	14	101⅞	Westpac Banking Corp.	13.481
LB Rheinland-Pfalz ‡	50	1994	7	13½	101½	Hambros Bank	13.159
DG Finance ‡	75	1990	3	14	101¾	DG Bank	13.258
Toronto-Dominion Aus. ‡	50	1989	2	14¼	101⅜	ANZ Merchant Bank	13.421
Man Hanover Australia †‡	125	1992	5	(b)	100.15	Man. Hanover	–
NEW ZEALAND DOLLARS							
BP Capital ‡	75	1989	2	17⅜	101⅜	Hambros Bank	16.513
Swedish Ex. Credit ‡	50	1990	3	17⅛	101⅜	Hambros Bank	16.508
D-MARKS							
Portugal ‡	150	1992	5	5¾	100	Commerzbank	5.750
Portugal ‡	150	1995	8	6⅝	100	Commerzbank	6.625
Bayer Capital Corp. ¶‡	400	1997	10	6¼	130	Deutsche Bank	2.774
SWISS FRANCS							
TNT Ltd. ‡	100	1995	–	5	100¾	Warburg Soditic	4.895
Mitsubishi Oil** §‡	150	1993	–	½	100	Credit Suisse	0.501
Ishihara Sangyo** §‡	100	1992	–	½	100	Swiss Volksbank	0.501
Hanwa Co.** ¶‡	170	1992	–	1	100	Banca del Gottardo	1.000
Union Elec. Fenosa** ‡	100	1992	–	4¾	100	SBC	4.750
Sakata Shokai** ¶	30	1992	–	(1⅜)	•	UBS	•
BFCE** ‡	100	1992	–	4¼	100⅝	Credit Suisse	4.109
EIB** ‡	160	1991	–	4	99¾	Credit Suisse	4.089
Sumitomo Tst & Banking** §	350	1992	–	(⅝)	•	SBC	•
Bayer Capital Corp. ¶‡	250	2002	–	2½	100	Credit Suisse	2.500
Kreditbank Int. Fin.** ¶§‡	50	1992	–	3	100½	Goldman Sachs Fin.	2.891
EDF ‡	100	2007	–	5	99¾	UBS	5.010
Chrysler Fin. Corp.** ‡	150	1992	–	4⅝	100	UBS	4.625
Philip Morris Cr. Corp.** ‡	200	1993	–	4¼	99¾	Credit Suisse	4.395
First Credit Corp.** ‡	30	1992	–	4⅞	100¼	LTCB of Japan	4.818
Polly Peck Int. Fin.	50	1992	–	(6)	(100)	Warburg Soditic	–
STERLING							
EIB ‡	100	1994	7	9½	101⅝	Chase Inv. Bank	9.175
Ford Credit Funding ‡	50	1992	5	9½	100⅞	Baring Brothers	9.273
FRENCH FRANCS							
Tunnel Boutier Mont-Blanc †‡	300	1997	10	(a)	100	CCF	–
LUXEMBOURG FRANCS							
Naturgas (Denmark)** ‡	300	1992	5	7¾	100	Bqe Paribas (Lux)	7.375
Swedish Ex. Credit** ‡	300	1992	5	7⅛	100	BGL	7.125
DANISH KRONER							
Denmark ‡	500	1992	5	8	91¼	Privatbanken	10.345
Deutsche Bk Luxembourg ‡	300	1993	6	10¼	100¼	Privatbanken	10.192
World Bank ‡	300	1994	7	10¼	100¼	Den Danske Bank	10.196
YEN							
Nat. Bank of Canada †‡	11bn	1992	5	(e)	100.6	Tokai Int/M. Stanley	–
Aegon NV (f) ¶‡	13.66bn	1992	5	8⅛	101⅝	Nikko Secs (Europe)	7.721

* Not yet priced. ‡ Final terms. ** Private placement. ¶ With equity warrants. § Convertible. † Floating rate note. ‖ Currency-linked. ∅ With oil warrants. (a) 3/16 over 3m Libor or if differential Libor/Pibor 25bp then 25bp over 3m Pibor. Additional Ffr 150m on tap. (b) 25bp below Australian 3m bank bill rate. (c) 3/16 over 6m Libor. (d) Launched in Asia. (e) 45bp below Japanese long-term prime rate. (f) Redemption: 80% in yen, 20% in NZ$. Note: Yields are calculated on AIBD basis.

UK COMPANY NEWS

Hygena interest in MFI

By Martin Dickson

HYGENA, the privately-owned furniture manufacturer, is understood to be considering joining the bidding for MFI, Britain's largest furniture retailer, which was put up for sale on Friday by Asda, the supermarkets group.

Hygena is much smaller than MFI, but it is being advised on the possibility of a bid by Samuel Montagu, the merchant bank which last month put together an innovative package allowing the small WPP company to launch an audacious $460m offer for JWT Group, the large American advertising house.

Hygena already sells most of its output of kitchen and bedroom furniture to MFI, which last week announced static 1987 operating profits of £46.5m on turnover of £420m, and is expected to fetch around £600m.

Hygena, headed by Mr Malcolm Healey, began life in the 1970s as Humber Kitchens. In 1982, it bought the Hygena name from the Norcros group, which had closed its kitchen furniture business after persistent losses.

If successful with a bid, Hygena might then try to float the merged group to cut borrowings.

Lilley disposals in US

By Janice Warman

F. J. C. LILLEY, the Glasgow-based construction company which plunged into losses because of problems in its US operations, has disposed of two of its American businesses as part of its restructuring programme.

John W. Cowper, a building company, was sold for a nominal consideration after incurring a loss of $6.8m on $71m turnover in the year to January.

The power division of Harrison Western, a tunnelling company, was sold to its management for $350,000. In its last financial year, it made a profit of $100,000 on $20m turnover.

The two businesses accounted for more than half its US turnover, and the transactions will entail a balance sheet write-off of $1.2m. But they will cut its borrowings by $9m.

Lilley incurred £50.4m pre-tax losses for the year to January, more than twice as bad as City expectations. These compared with a profit of £9.5m for 1985-86.

Holmes a Court increases stake in Sears to 5.3%

BY MARTIN DICKSON

MR ROBERT HOLMES à COURT, the Australian businessman, and his Bell Group are understood to have built up a potential stake of about 5.3 per cent in Sears, one of Britain's biggest retailers, through the purchase of shares and options.

Sears—which owns Selfridges, the department store, Mappin & Webb, the jewellers, and is Britain's leading shoe retailer—has, for months, been rumoured as a possible target for a bid.

However, there was speculation yesterday that Mr Holmes à Court's stake might be a speculative investment. He is believed to have held a stake in Sears for a considerable time, which has fluctuated up and down.

He is thought to have recently increased his holding from around 2 per cent to 4 per cent. He is also believed to have acquired options which could take his stake up to aroun 5.3 per cent—above the 5 per cent level at which shareholdings must be publicly disclosed.

No comment was available from Sears yesterday, but it is expected to make a statement to the Stock Exchange this morning.

The group's shares rose 13½p last week to close at 174½p, giving the group a market capitalisation of £2.6bn.

Sears, built up by the late Charles Clore, has in the past been criticised as the "slumbering giant" of the retail sector.

However, under the chairman, Mr Geoffrey Maitland Smith, and a new deputy chief executive, Mr Michael Pickard, it has been rationalising over the past year, to concentrate on four core areas: retailing, betting (through its William Hill chain), housebuilding and property investment.

Last year it sold off its motor dealing and engineering subsidiaries, bringing in cash of £86m.

n May, it announced a 17 per cent rise in 1986-87 pre-tax profits to £218.7m, with improved results across the full range of businesses.

PFPUT gives portfolio value

BY RICHARD TOMKINS

THE Pension Fund Property Unit Trust, which is fighting a bid from Trafalgar House, the shipping, property and construction group, has written to its unitholders telling them that the June valuation of its portfolio is £218.1m, equivalent to £2,753 a unit.

This compares with revised and final bid terms announced by Trafalgar House of £2,650 cash per unit, valuing the whole portfolio at £212m.

However, Trafalgar has not yet quantified its share alternative to the cash offer. It says it is considering its position.

PFPUT's revaluation follows another letter from Trafalgar to PFPUT unitholders urging them to demand an extraordinary general meeting to consider the offer. Trafalgar also asked why PFPUT's June valuation had not been made available.

In response to Friday's publication of the figure, Mr Eric Parker, Trafalgar's chief executive, said he considered it unusual that the valuation on PFPUT's portfolio had risen by just 1 per cent over the year to March 1987, but by 20 per cent in the three months since.

PFPUT also wrote to unitholders on Friday urging them to take no action. It said it saw no reason to convene an egm to consider a proposal which was "so clearly not in unitholders' interest."

PFPUT is advised by Schroders; Trafalgar by Kleinwort Benson.

Amber Day agrees to cash boost

Amber Day Holdings, the lossmaking clothing manufacturer and importer, has agreed to a cash injection of £2m from a consortium of five businessmen, including Mr Irvine Sellar, the high street fashion entrepreneur.

Subject to the approval of shareholders, the consortium will subscribe for 4.7m new Amber Day ordinary shares at 42.5p per share, raising its stake to 29.08 per cent of the enlarged ordinary share capital. It already owns 1.15m Amber shares, a 7.45 per cent stake.

Amber Day, which makes and imports clothing for sale to mail order houses and multiple stores, has undergone large-scale restructuring, which included placing a controlling interest in its menswear retailer, John Kent, on the Unlisted Securities Market.

In the six months to end-November 1986, it incurred operating losses of £17,000. But a £152,000 contribution from John Kent resulted in a pre-tax profit of £156,000.

The offer price—less than half Friday night's closing price of 96p—was fair because the trading price had more than doubled since the beginning of June, he said.

Westwood Dawes incurs heavier losses at halfway

Heavier pre-tax losses were incurred by Westwood Dawes in the six months to June 30 1987. Figures for this mechanical handling engineer were £140,000 against the previous deficit of £16,000.

In June, the company's shares were re-listed after being suspended in April pending completion of the acquistion of Hugh J. O'Neill, the Canadian engineering parts supplier and a subsidiary of Mining and Allied Investments.

The directors said the performance of ON, the Canadian subsidiary, was in line with expectations, and they anticipated that performance being maintained for the rest of the financial year.

In a circular dated June 8 describing the acquisition of O'Neill, the chairman said the commitment to the planned investment programme had to be postponed, and the benefit of the investment and reorganisation of the company would be reflected in trading performance of the next financial year. He said yesterday that the position remained unchanged.

Turnover for the opening half was down from an adjusted £4.15m to £4.04m. There was an extraordinary debit this time—being costs of acquiring the Canadian subsidiary — of £145,000. The loss per share was 1.4p.

Kenyon buys seven funeral directors

Kenyon Securities, the USM-quoted funerals group announced the acquisition of seven firms of funeral directors, a coffin manufacturer and their related properties for £4.28m.

In the year to March 31, 1987, the combined pre-tax profits and turnover of the acquired companies were £403,000 on turnover of £3.9m. The funeral directors will extend Kenyon's geographical base and the coffin manufacturer, L. T. & R. Vowles, is a major supplier to the industry.

Consideration will be satisfied by the issue of slightly more than 660,000 ordinary shares and £2.23m in cash.

L and G figures disappoint market

By Eric Short

Legal and General reported a steady rise in new annual premium business in the first six months of this year — up from £71.6m to £76.8m — and nearly double in single premium business, from £132.3m to £224.3m.

But such figures disappointed the market, which was expecting much higher new business growth from Britain's second largest life group.

The share price drop on Friday resulted in general weakness for the life sector that even good results from Sun Life could not completely reverse.

Legal and General showed good growth on its UK life and individual pensions business, with conventional annual premiums up 10 per cent from £30.2m to £33.9m, and unit linked nearly two-thirds from £8.3m to £13.4m.

The company maintained its share of the house mortgage repayment market and increased its individual pension business by nearly 70 per cent.

Growth

Growth in UK single premium life and individual pension business came from the unit trust operations where investment jumped from £13m to £52.9m, offset by a drop in unit linked bond business from £69m to £52.9m.

However, L and G's group pensions business was disappointing with annual premiums dropping from £18.9m to £15.6m, though single premiums doubled from £22.5m to £43.1m.

Overseas business showed steady growth, but life business from its reinsurance subsidiary, Victory, was disappointing.

These results were down on the growth figures for the first four months given at the annual meeting, indicating a slackening in new business in May and June.

Success

The overall industry growth figures will be published by the Association of British Insurers next month when one will be able to judge L and G's performance against the industry.

Sun Life's new business figures were very much in line with market expectations, with new annual premiums up by more than 10 per cent from £28.1m to £31.5m and single premiums showing a phenominal jump from £165.2m to £492.6m, thanks to the success of the company's special anniversary bond, which pulled in £220m—an industry record.

The group's unit trust sales doubled from £49.6m to £102.8m, and its individual pensions business was strong in both annual and single premiums. However, new annual life premiums declined overall —a rise in unit-linked offset by a drop in conventional business.

Lucy Kellaway on a rare kind of new issue

A test of market confidence

THE first oil company to come to the market since the price of oil started to fall two years ago, will appear this week, as Kingston Oil and Gas makes its debut.

The reception given to this newcomer will not only test the extent to which confidence has returned to the independent oil sector, but it will also show how far the scars have healed from the experience of investing in the rush of US oil companies which joined the market three or four years ago—only to fall badly out of favour.

Some of those companies left their London investors feeling foolish, having paid fancy prices for overvalued reserves, and for a succession of dry holes.

Kingston Oil and Gas, a tiny independent oil company worth under £7m which produces gas in Ohio, claims to be different.

First, with Professor Roland Smith as its chairman, it can hope for a higher profile than that given to many of the US oil stocks listed in London.

More important, says Mr Ray Chambers, joint managing director, is the pattern of the company's assets. Whereas the first generation of US companies presented their shareholders with a list of unproven reserves—which often proved disappointing on closer inspection—all Kingston's reserves are proven, and more than half are producing gas.

With the resulting cash flow, Kingston is proposing to start paying dividends at once—almost unheard of for a small, young oil company. Unlike most others in the sector, Kingston is not an oil exploration company, but a production company, making it both safer and less exciting.

Instead of growing by finding oil, Kingston proposes to expand through buying up distressed producing assets, which it claims exist in large supply in Ohio.

To provide it with the cash to make such acquisitions, the company is raising £2m through a placing of shares, arranged by Brown, Shipley and Laurence Prust.

The enthusiasm of companies like Kingston for the US market is difficult to tally with the recent decisions made by companies as big as Britoil, to pull out of the US market on the grounds that it is too competitive.

However, Mr Chambers says that asset prices in Ohio are much lower than in other parts of the country, and furthermore, Kingston has a competitive edge created by very low overheads.

He says the company can buy an extra 10 or 20 wells—far too small a deal to interest a bigger company—and bolt them on to the existing structure with almost no increase in costs.

Indeed, Kingston seems to operate with remarkably little effort. Its 479 wells are operated by just 14 staff, and Mr Chambers, who is responsible both for the daily running of the group and its strategic direction, plans to devote only three days a week to the company.

Kingston seems to have got its timing right, at least. The rise in the oil price last week to more than $21, has not only set the sector buzzing—it has also made the oil price assumptions in the prospectus look reassuringly conservative.

Camotech for Third Market

Camotech, the precision mouldings and air cleaner manufacturer, said it intends *to move from the USM to the* Third Market, rather than miss the opportunity to acquire Forthill Aircraft Holdings, a Northern Ireland-based designer and manufacturer of aircraft seats.

Camotech's shares were suspended on June 3 at 130p after the company noted a sharp rise in their price.

FAH's pre-tax profits for the year to the end of March were £757,000, against Camotech's taxable profits of £379,000 in the year to August 31 1986. Total consideration for FAH will be £4.6m in a mixture of cash, loan stock and new Camotech shares.

FAH's accounts for the year to March 31 1985 were qualified by Coopers and Lybrand, the company's auditors, because of the difficulty of determining the accuracy of labour and other overheads included in the stock valuation.

Camotech was advised by Guidehouse Securities, its joint brokers, that this would make the combined group ineligible to maintain its quotation on the USM.

Stock Exchange rules require that a company's accounts be unqualified for three years prior to obtaining a quote on the USM. A company needs no more than two sets of clean accounts to obtain a Third Market quote.

Sycamore reduces losses

REDUCED PRE-TAX losses of £199,000 were reported by Sycamore Holdings in the six months ended March 31 against a previous £212,000. For the year to September 1986 losses fell from £820,000 to £327,000.

Turnover for this Lancashire-based holding company with interests in kitchen and garden furniture, foundry and plastics products, was marginally ahead at £2.42m (£2.41m). The trading loss was higher at £197,000 (£166,000).

The result belied the solid progress made in trading during the period, the directors said. Trading was depressed during the first four months but profitability returned in February and that trend had continued, they added. Currently all sectors were busy, with good order books for the immediate future.

There is again no dividend. The last payment was an interim of 0.1p in 1984.

FT Share Information

The following securities have been added to the Share Information Service:

Barry Wehmiller Intl (Section: Industrials)
Charter House (Industrials)
Comac (Third Market)
Dixons (Net) Div Conv Cum Red Pf (Stores)
Goldconda Minerals (Mines, Australians)
Hambros Advanced Tech Trust (Trusts, Finance Land)
Nationwide Bldg Soc 8 11/16pc 20/6/88 (Loans, Building Societies)
Nevada Goldfields (Canadians)
P & O Sub Warrants 88/92 (Shipping)
Sharp & Law (Industrials)
Shoralplan (Industrials)
Southampton, IOW Steam Packet (Shipping)

BOARD MEETINGS

TODAY

Interims :— Eurotherm International, Marine Adventure Sailing Trust, Rand Mines.

Finals :— Ellis and Everard, Kleen-E-Ze, Norbain Electronics, Quest, *Zygal Dynamics*.

FUTURE DATES

Interims :—
Anglo and Overseas Trust ...... July 17
Britannic Assurance ...... Aug 19
Britoil ...... July 31
Free State Consolidated Gold Mines ...... July 23
Gestetner ...... July 27
River and Mercantile Trust ... July 16
Southvaal ...... July 23

Finals :—
BBB Design ...... July 14
British Bloodstock Agency ... July 23
Gnome Photographic Products Aug 12

FINANCIAL TIMES STOCK INDICES

	July 10	July 9	July 8	July 7	July 6	July 3	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	90.55	90.89	90.72	90.66	90.45	90.03	93.32	84.49	127.4	49.18
Fixed Interest	97.90	97.96	97.26	97.25	97.28	97.13	99.12	90.23	150.4	50.53
Ordinary	1868.8	1846.1	1827.2	1836.7	1830.8	1818.5	1868.8	1320.2	1818.5	49.4
Gold Mines	407.4	402.1	391.8	386.8	376.2	378.9	485.0	288.2	734.7	43.5
FT-Act All Share	1206.18	1199.06	1191.17	1193.44	1187.67	1174.69	1206.18	835.48	1206.18	61.92
FT-SE 100	2382.0	2371.0	2356.9	2365.4	2351.9	2328.1	2382.0	1674.5	2382.0	986.9

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 10 1987					THURSDAY JULY 9 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (96)	143.53	+0.5	131.84	134.72	2.93	142.79	130.84	133.63	143.53	99.92	76.45
Austria (16)	86.40	+0.2	79.37	82.64	2.50	86.26	79.04	82.34	101.62	85.53	85.82
Belgium (48)	125.38	-0.9	115.17	118.73	4.05	126.49	115.91	119.32	126.49	96.19	82.00
Canada (132)	136.03	-0.1	124.95	130.17	2.16	136.18	124.79	130.46	136.49	100.00	97.82
Denmark (39)	114.71	-0.4	105.37	109.21	2.55	115.21	105.56	109.29	124.10	98.18	92.94
France (121)	109.64	+0.0	100.71	105.72	2.68	109.63	100.46	105.37	121.82	98.39	87.33
West Germany (92)	96.14	-0.1	88.31	92.21	2.06	96.21	88.16	91.94	100.33	84.00	82.49
Hong Kong (45)	127.98	-0.1	117.56	128.29	2.82	128.10	117.38	128.39	128.88	96.89	69.26
Ireland (14)	140.97	+2.3	129.49	136.80	3.29	137.80	126.26	133.13	140.97	99.50	92.48
Italy (76)	94.71	-0.2	87.00	94.57	1.92	94.91	86.96	94.34	112.11	94.25	83.72
Japan (458)	134.69	+1.3	123.73	128.27	0.53	132.92	121.80	125.95	161.28	100.00	84.10
Malaysia (36)	182.52	+1.8	167.66	178.49	2.10	179.23	164.23	175.13	182.52	98.24	80.38
Mexico (14)	274.44	+0.0	252.09	410.33	0.73	274.54	251.56	410.33	274.94	99.72	49.93
Netherland (38)	125.64	-0.3	115.41	119.10	3.72	126.03	115.48	119.07	126.69	99.65	90.76
New Zealand (26)	104.13	+2.0	95.65	92.06	3.08	102.05	93.51	90.23	104.13	83.93	70.77
Norway (24)	147.09	-0.7	135.11	134.56	2.03	148.16	135.76	135.09	148.16	100.00	98.40
Singapore (27)	156.58	+1.1	143.83	153.19	1.61	154.93	141.96	151.43	156.58	99.29	76.67
South Africa (61)	170.85	+0.5	156.94	123.48	3.34	169.95	155.73	122.84	186.74	100.00	75.49
Spain (43)	125.30	-0.6	115.10	120.70	3.32	126.09	115.53	121.07	126.09	100.00	83.25
Sweden (33)	117.75	+0.1	108.16	111.91	2.08	117.63	107.79	111.58	124.68	90.85	91.68
Switzerland (53)	98.02	-0.1	90.04	93.61	1.82	98.12	89.91	93.32	104.06	92.01	84.13
United Kingdom (336)	156.96	+0.3	144.18	144.18	3.03	156.47	143.37	143.37	156.96	99.65	99.09
USA (591)	125.90	+0.3	115.64	125.90	2.87	125.57	115.06	125.57	126.68	100.00	101.41
Europe (933)	125.00	+0.1	114.83	117.87	2.77	124.93	114.47	117.43	125.00	99.78	90.31
Pacific Basin (688)	134.77	+1.3	123.80	128.41	0.70	133.08	121.95	126.20	158.77	100.00	83.32
Euro—Pacific (1621)	130.92	+0.8	120.26	124.18	1.49	129.87	119.00	122.69	143.65	100.00	86.09
North America (723)	126.44	+0.2	116.14	126.16	2.83	126.14	115.59	125.87	126.70	100.00	101.22
Europe Ex. UK (597)	105.17	-0.2	96.61	101.37	2.53	105.34	96.53	101.17	107.75	98.02	85.02
Pacific Ex. Japan (230)	135.79	+0.5	124.74	129.97	2.80	135.11	123.81	129.10	135.79	99.92	73.60
World Ex. US (1828)	131.62	+0.8	120.91	124.58	1.54	130.62	119.69	123.16	143.38	100.00	86.35
World Ex. UK (2083)	126.66	+0.6	116.35	123.29	1.93	125.90	115.36	122.26	133.61	100.00	91.61
World Ex. So. Af. (2358)	129.09	+0.6	118.58	125.20	2.03	128.35	117.61	124.19	135.02	100.00	92.34
World Ex. Japan (1961)	126.84	+0.2	116.51	123.72	2.81	126.59	116.00	123.35	126.84	100.00	96.14
The World Index (2419)	129.35	+0.6	118.82	125.22	2.05	128.62	117.85	124.21	135.15	100.00	92.24

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition.

CONSTITUENT CHANGE: Financiere de Developpement des Entreprises has been deleted (France).

EUROPEAN OPTIONS EXCHANGE

Series	Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS: 50,109

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk.	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe Guarantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'l Tst'l plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs	9
Banco de Bilbao	9	Financial & Gen Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	9	UDT Mortgage Exp	‡11
Bank Credit & Comm.	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Grindlays	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	†9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Sweeping 6.66%. Top Tier—£2,500+ at 3 months' notice 7.57%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 4½% gross. ‡ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§110	F.P.	—	153	111	Babygro 10p	149	-1	R2.4	3.2	2.2	18.0
155	F.P.	7/8	191	158	Britannia Group (5p)	183	-3	R3.85	3.0	2.9	15.9
[illegible]											
105	F.P.	5/8	215	105	‡Knobs & Knockers 10p	138	-2	L1.17	4.60	1.2	25.7
§165	F.P.	14/8	231	165	Lancaster	231	......	L2.75	3.5	1.6	23.8
§175	F.P.	22/7	210	190	‡Learmonth & Burch 10p	206	......	Lb1.3	5.8	0.8	30.4
§130	F.P.	15/7	204	163	Neotronics 5p	204	+4	R1.8	4.2	1.2	27.0
§110	F.P.	—	220	185	‡Parkway 5P	220	......	R1.5	4.2	0.9	34.7
§200	F.P.	—	208	201	Primadona	203	......	a2.25	5.1	1.5	18.0
§165	F.P.	31/7	265	183	‡Ross C'sum. Elec. 10p	253	......	L3.5	2.6	1.9	27.4
§35	F.P.	—	47	35½	‡SEP Ind'l. Hldgs.5p	45	......	—	—	—	21.0
‡100	F.P.	—	103	97	Saltire Insurance	98	......	—	—	—	—
§63	F.P.	—	89	76	‡Shelton (Martin) 10p	89	......	u0.75	2.3	2.7	22.2
§20	F.P.	17/7	50	31	‡Stanco Exhibition 5p	50	......	0.29	4.0	0.8	41.6
145	F.P.	17/7	195	147	The Rack 5p	157	+2	R1.1	4.2	1.0	34.1
§130	F.P.	—	193	175	Warner Howard 5p	189	......	R2.66	2.70	1.9	25.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or -
‡	F.P.	24/7	111p	105p	Anglo Utd. Cnv. Red. Prf.	111p	+1
100	F.P.	—	113p	109p	Asda Prop. 5¼% Cnv. Cum. Red Prf. 2012	113p	......
‡	F.P.	24/7	143p	127p	Dencora 6¼% Cum. Cnv. Red. Pf.	143p	......
‡	Nil	7/8	13ppm	4ppm	Elliott (B) 7% Cnv.Cum.Red Prf.	13ppm	+1
§100	£10	10/9	7½	7	Essex Water 9¾% Red. Deb. '97-99	7	......
§	£50	11/9	50⅛	47⅞	Govett Strategic Inv Tst 9¾% Deb 2017	48⅞	-⅛
¶¶	F.P.	—	37p	37p	Grahams Rintoul I.T. Pfd. 20p	37p	......
§98.471	£30	—	30¼	30¼	Lynton Prop & Rev 10½% 1st Mtg Deb 2017	30¼	......
§100	£10	10/9	7½	7	Mid Kent Water 9¾% Red. Deb. '97-99	7	......
—	F.P.	—	100¼	99⅞	Nationwide 8⅞ pc Bds 20/6/88	100	......
—	F.P.	—	99⅞	99⅞	Do. 9⅛% Bds. 11/7/88	99⅞	......
‡	F.P.	29/7	145p	120p	Noble & Lund 8pc CnvCumRedPrf(£1)	142p	......
—	£25	11/11	25½	23	North Housing Assoc. 8¾% Gtd.In.2037	24¼	......
§95.221	£25	2/10	26	21⅞	Peachey Property 9½% 1st Mt.Deb.2015	22	-¼
¶¶	F.P.	—	125p	115p	Smith New Court Cnv Cum Red Prf 50p.	125p	+2
¶¶	F.P.	—	138p	106p	Spong Cnv. Cum. Red. Prf. (20p)	138p	......
—	F.P.	—	122p	110p	Unigroup 7½% Cum. Cnv. Red Prf.	122p	+2
-	£10	-	11	11	W'r'm&E.Den.Wtr 7¾% Red Prf 1996/98	11	......

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -
375	Nil	21/7	111pm	78pm	‡Anglia Secure Homes	103pm	-2
425	Nil	26/8	43pm	17pm	Argyll Group	42pm	+10
135	Nil	—	12pm	8pm	Australia Inv. Tst. 50p.	8pm	-2
265	Nil	21/8	59pm	41pm	BPCC	54pm	-2
195	Nil	14/8	46pm	35pm	Century 10p	36pm	-2
35	Nil	14/8	32pm	19pm	Dares Estates 5p	32pm	+1
20	Nil	—	15½pm	12¼pm	Eagle Trust 2½p	12¼pm	-1½
¶¶	Nil	—	32pm	32pm	Grahams Rintoul Inv. Tst. Units	32pm	......
33	Nil	—	35pm	28pm	Helene of London 10p	35pm	......
65	Nil	—	23pm	16pm	Jalland's Hldgs. 2p	23pm	+2
170	Nil	7/8	125pm	70pm	Kennedy Smale	120pm	-3
385	Nil	—	110pm	81pm	Mercury Intl.	110pm	+16
—	Nil	7/8	228pm	130pm	Merlin Intl. Props. Parcels	200pm	......
75	Nil	14/8	19pm	10pm	Parambe 10p	19pm	......
95	Nil	21/8	10pm	3pm	Plantation Trust	10pm	+1
310	Nil	21/8	62pm	13pm	Rasners 10p	19pm	+6
400	Nil	10/8	225pm	165pm	Tranwood Units†	208pm	+8
45	Nil	24/8	29pm	22pm	Utd.Guarantee 5p	21pm	......
300	Nil	13/8	115pm	110pm	Western Motor	150pm	-5
—	Nil	7/8	70pm	38pm	Westwood Dawes 12½p	70pm	+8
190	Nil	26/8	53pm	41pm	Whittington	53pm	+6

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures: t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ‡ Placing and offer for sale price. * Third Market † 10 Tranwood Rights & 3 Wrrts. to sub for 1 new Tranwood @ 40.

FT CROSSWORD PUZZLE No. 6,376

PROTEUS

ACROSS

1 Francis William's ghost it is supposed (8, 6)
10 Return of fashionable tracked vehicles (5)
11 It indicates height and appropriate moment to modify outside (9)
12 Swindler who bows and scrapes? (7)
13 Eagerness to possess spirit of purification (7)
14 Girls rejecting purgative (5)
16 Trait modifying into process of wearing down (9)
19 Speeches on modern clothes (9)
20 Man with skill at the organ (5)
22 Article about dramatist (producer of "Rope") (7)
25 Beseech child to acquire learning (7)
27 Performance by one who finishes in opera (9)
28 Take advantage of girl—one with sign of having something to learn (5)
29 Teacher, patriarch, miner and shorthand writer (3, 5, 6)

DOWN

2 Left a company having done badly (9)
3 Bird of river and lake (5)
4 Owing to rain-storm, builds up (2, 7)
5 State of birth (5)
6 Incomplete line stocked by chemist (I checked) (9)
7 Poor shot at making out route (5)
8 Detective employed on farm? (7)
9 County sticks to employees (6)
15 Quick thinking needed as drink goes right to head (9)
17 Frothy spoutings between captains before engagement (7, 2)
18 Picking up a sailor at gulf-state together with one beloved (9)
19 Has ambitions to achieve first-class press (7)
21 Singer taking actor round car-plant (6)
23 Some remain nervous near bull (5)
24 Downfall to one Shavian heroine? (5)
26 Scheme to acquire model factory (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2860

American Growth	111.1	117.5	+0.8	0.71
(Accum Units)	116.4	123.1	+0.9	0.71
British Blue Chip Fund	54.2	57.3	+0.4	2.36
(Accum Units)	54.2	57.3	+0.4	2.36
American Sm Cos Fd	52.4	55.4	+0.3	.50
(Accum Units)	52.4	55.4	+0.3	.50
American Income	57.5	54.4		3.63
(Accum Units)	56.2	59.4		3.63
European Growth	146.4	154.9	+0.0	1.25
(Accum Units)	151.5	160.3	+0.0	1.25
European Income	80.7	85.4	+0.1	3.86
(Accum Units)	84.6	89.5xd	+0.1	3.86
General	388.9	411.5	-0.1	2.43
(Accum Units)	646.0	683.5	-0.2	2.43
Gilt	88.8	89.2xd	-0.3	7.47
(Accum Units)	105.6	106.1xd	-0.3	7.47
Global Fund	50.4	53.3	+0.5	0.72
(Accum Units)	50.4	53.3	+0.5	0.72
High Interest Fund	47.6	50.3xd	+0.0	8.95
(Accum Units)	48.0	50.7xd	+0.0	8.95
High Income Fund	54.9	58.0	+0.2	4.55
(Accum Units)	55.3	58.5	+0.2	4.55
Income	127.6	135.0xd	+1.6	2.89
(Accum Units)	146.2	154.7xd	+1.8	2.82
International	295.2	312.3xd	+1.8	1.18
(Accum Units)	369.4	390.8xd	+2.3	1.18
Japan	200.5	212.1	+3.7	0.77
(Accum Units)	205.8	217.7	+3.8	0.77
Pacific Fd	55.7	58.9xd	+0.5	0.10
(Accum Units)	55.7	58.9xd	+0.5	0.10
Recovery	320.8	339.4	+1.6	1.52
(Accum Units)	348.8	369.0	+1.7	1.52
UK Smaller Co's Fd	55.1	58.3	+0.3	1.72
(Accum Units)	55.1	58.3	+0.3	1.72
Exempt May 27	367.2	376.6	----	3.03
(Accum Units)	575.2	589.9	----	3.03

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45284

UK Income Fund	63.7	67.7	+1.1	4.43
Accum Units	63.7	67.7	+1.1	4.43
UK Growth Fund Acc	64.8	68.9	+0.1	1.45
Global Income Fund	49.6	52.7	+0.2	3.80
Accum Units	49.6	52.7	+0.2	3.80

[illegible]

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn Unit Line 0800 010345

Holborn Comm Tst	80.5	85.1	+0.6	0.36
Holborn Equity Income	74.57	78.8	+0.3	3.37
Holborn Equity Tst	611.7	647.2	+2.9	2.09
Holborn European Tst	117.5	124.3xd	-0.1	0.67
Holborn Gilt Tst	215.4	224.6	-0.6	2.32
Holborn High Inc Tst	89.7	94.9xd	+0.5	4.55
Holborn Intl Grth Tst	119.5	126.4xd	+0.6	0.69
Holborn Japanese Tst	125.6	132.9	+2.1	0.04
Holborn N. Amer. Tst	93.8	99.2	+0.4	0.49
Holborn Sm Cos Tst	81.3	86.0	+0.4	1.79
Holborn Spec Sits Tst	105.1	111.2xd	+0.9	1.11
Holborn UK Growth Tst	121.5	128.5	+0.6	1.46

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	692.5	732.9	+17.1	1.94
Quadrant Income	369.4	399.4xd	+6.3	4.00
Quadrant Intl. Fund	447.5	473.6	-1.6	1.09
Quadrant Spec. Sits	463.3	490.3	+11.8	1.34

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	248.9	264.7	----	2.17
Reliance Unit Tst (Inc)	171.2	182.0	----	1.78
Reliance Ut Tst (Acc)	230.4	245.0	----	1.78

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internatl. Growth Trust	49.5	52.1	----	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-626 4356

NC America (Inc)	327.9	348.8	+3	0.78
NC America (Acc)	358.0	380.8	+3.2	0.78
NC Inc Fd	131.3	139.4	+1.1	2.70
NC Japan Fd	191.0	203.1	+1.9	----
NC Major UK Cos Fd	73.5	78.1xd	-0.6	1.53
NC Smllr Australasian	90.0	95.7	+0.3	0.48
NC Smllr Canadian CoFd	48.7	51.8	----	0.98

[illegible]

INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	453.6	477.5		
Property	280.3	295.1		
Equity	584.7	615.5		—
Gilt Edged	368.0	387.4		—
Deposit	204.3	215.1		—
Investment	250.0	262.5		—
International	418.3	440.3		—
Pension Fund Prices				
Managed Init.		332.6		—
Do. Accum.		406.8		—
Property Init.		242.8		—
Do. Accum.		296.9		
Equity Init.		447.1		—
Do Accum		546.0		—
Gilt-Edged Init.		235.5		
Do. Accum.		288.0		—
Guaranteed Init.		157.7		—
Do Accum.		193.0		—
International Init.		500.8		—
Do. Accum.		611.9		—
Index Lk Gilt Init.		136.7		—
Do. Accum.		167.1		—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	301.4	+0.1	—
Property Pens.	397.8	+0.2	—
Equity	208.3	+1.3	—
Equity Pens.	947.0	+8.1	—
Money Market	314.2	-0.5	—
Money Mkt. Pens.	563.1	-0.9	—
Deposit	236.5	+0.1	—
Deposit Pens.	376.2	+0.2	—
Managed	302.3	+1.6	—
Managed Pens.	584.8	+4.4	—
Intl. Equity	347.6	+1.5	—
Do. Pens.	560.3	+3.5	—
Intl. Managed	321.4	+1.5	—
Do. Pens.	476.7	+3.0	—
North American	131.7	-0.1	—
Do. Pens.	150.8	-0.2	—
Far East	283.2	+1.4	—
Do. Pens.	412.8	+2.1	—
Intnl. Currency	175.6	+0.0	—
Do. Pens.	230.1	+0.0	—

National Provident Inst.—Contd.

Far East Initial	473.2	498.2	+6.5	
Far East	565.4	595.2	+7.8	
Prop Initial	139.5	146.9	-0.1	—
Prop.	166.9	175.7	-0.1	—
Fixed Int. Initial	190.0	200.1	-0.5	—
Fixed Int.	227.1	239.1	-0.6	—
Indexed Gilt Initial	104.0	109.5	-0.4	—
Indexed Gilt	123.1	129.6	-0.5	—
Deposit Initial	134.4	141.5		—
Deposit	162.2	170.8		—
NPI Pensions Management Ltd				
Managed Fund	952.2	969.2		—

Prices July 1. Next dealing August 3.

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 3JS 0603 693986

NUAM Funds				
Managed Fund	58.2	61.0		—
Stock Market Mngd Fund	59.9	62.5		—
Equity Fund	66.7	69.7		—
International Fund	53.8	56.7	+0.3	—
European Fund	57.2	60.3	+0.2	—
North American Fund	50.5	53.2	-0.6	—
Pacific Fund	62.1	65.4	+0.8	—
Property Fund	50.7	53.4		—
Fixed Interest Funds	52.2	55.0	-0.1	—
Index linked Sec Fund	46.0	48.5	-0.2	—
Deposit Fund	50.8	53.5		—
NUAM Retirement Plans				
Mixed Fund	62.5	65.8	+0.5	—
UK Ordinary Share	76.6	80.7	+1.0	—
International Fund	55.1	58.1	+0.1	—
Property Fund	51.6	54.4		—
Fixed Interest Fund	52.2	55.0	-0.1	—
Index Linked Sec Fund	46.2	48.7	+0.1	—
Deposit Fund	52.6	55.4		—
NUAM (NF)				
Managed Fund	798.1	840.2	+4.6	—
Equity Fund	1784.1	1878.0	+15.2	—
Property Fund	315.3	331.9		—
Fixed Interest Fund	371.7	391.3	-1.1	—
Deposit Fund	207.1	218.0		—
International Fund	139.7	147.1	+0.8	—
Index Linked Sec Fund	46.1	48.6	-0.1	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
3May	5Nov	Treas. 12pc 1987	100	29.9	11.91	9.04
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	99 xd	22.12	7.77	8.32
10Nov	10May	Exch 10½pc '88	101	6.10	10.39	9.07
14Dec	14Jun	Treas 9¾pc Cv '88	100	8.5	9.70	9.06
1Jan	1Jul	Transport 3pc '78-88	96	26.5	3.10	6.36
25 Apr	25 Oct	Treas. 9½pc '88	100	18.9	9.46	9.10
22 Aug	22 Feb	Treas 11½pc 1989	103	26.2	11.12	9.13
18 Oct	18 Apr	Treas. 9½pc Cnv 1989	100	13.9	9.44	9.10
15Nov	15May	Treas 3pc 1989	94	9.10	3.19	6.46
14Dec	14Jun	Treas 10½pc 1989	102	8.5	10.26	9.12
1Feb	1Aug	Exch.10pc 1989	101 xd	29.12	9.85	9.14
29 Mar	29 Sep	Exch 11pc 1989	103	26.8	10.63	9.15
15 Apr	15 Oct	Treas 5pc 1986-89	94	8.9	5.27	7.54
15 May	15 Nov	Exch 10¼pc Cv '89	104	9.10	9.77	7.85
15 Jul	15 Jan	Treas 13pc 1990‡‡	108 xd	6	11.98	9.09
12 Aug	12 Feb	Exch 11pc 1990‡‡	104	6.1	11.56	9.13
22 Sep	22 Mar	Exch. 12½pc 1990	107	18.8	11.60	9.14
8 Nov	8 May	Treas. 3pc 1990	91	2.10	3.29	6.49
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	98	11.5	8.34	8.66
25 Apr	25 Oct	Treas. 10pcCv 1990	102	18.9	9.78	9.16
22 May	22 Nov	Exch 2½pc 1990	88	16.10	2.83	6.43

BRITISH FUNDS—Contd

Index-Linked

Five to Fifteen Years

Over Fifteen Years

Undated

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Oc Ja Ap Jly	Sara Lee $1	27¾	24.12	$1.00	—	2.2
Mr Ju Se De	Saul (B.F.) $1	10⅜xd	26.6	20c	—	1.2
Fb My Ag No	Southwestern Bell $1	23xd	7.7	h$2.32	—	6.2
—	Staley Continental	17⅝	—	80c	—	2.8
Mr Jn Se De	Sun Co Inc. $1	41⅞	5.11	$3.00	—	4.4
Ma Jn Se Dec	TRW Inc. $1¼	32⅜	10.2	h$1.60	—	3.0
Mr Jn Sp Dc	Tenneco $5	31⅝	12.5	$3.04	—	5.9
June Dec	Do 10pcLn Stk. 91-5	187½	24.11	10%	—	f5.5
Mr Je Se De	Texaco $6.25	28⅛	31.7	$3.00	—	6.6
Mr Ju Se De	Time Inc $1	62	22.8	$1.00	—	1.0
Ja Ap Jy Oc	Tracor $0.33	12⅞	16.9	40c	—	2.0
Ja Ap Ja Oc	Transamerica $1	26½	30.6	$1.76	—	4.1
Fe My Au No	Transworld Corp $5	11⅞	11.11	20c	—	1.0
—	TRINOVA Corp.	43½	12.04	h$1.00	—	1.4
Mr Je Se De	♥USX $1	21¼	30.10	$1.20	—	3.4
Ag Nv Fb Jn	Union Carbide $1	18⅝	5.5	$1.50	—	5.0
Mr Jn So Dc	Utd. Technologies	33¼	19.5	$1.40	—	2.6
Fb My Ag No	US West‖	32⅛	13.4	$3.28	—	6.2
—	Waste Management $1	25⅝	—	—	—	—
—	Whirpool $1.0	£22¼	—	—	—	—
Mr Je Se De	♥Woolworth $3½	33⅞	19.11	$1.32	—	2.4

CANADIANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
—	♥Abbot Energy Corp.	21p	—	—	—	—
—	♥Amer. Barrick Res.	11⅛xd	—	—	—	—
—	Armeno	78p	—	—	—	—
Fb My Ag Nv	Bk. Montreal ‖	16⅛	24.11	$2.00	—	5.6
Ja Ap Ju Oc	Bk. Nova Scot.‖	864pxd	30.6	72c	—	3.8
Ap Jy Oc Ja	BCE ‖	19⅝	10.9	$2.40	—	5.6
May Nov.	♥Bow Valley‖	987p	15.12	40c	—	1.9
Ja Ap Jy Oc	♥Brascan‖	18⅛	28.10	88c	—	2.2
—	♥Breakwater Res.	400p	—	—	—	—
Fe My Au No	Can. Imp. Bk. $2	10⅝xd	29.6	$1.08	—	4.7
July Jan.	Can. Pacific ‖	13xd	29.6	48c	—	1.7
July Jan	Do. 4pc Deb £100	41½	10.11	4%	—	9.6
Ja.Sp.Dec.Mar	♥Echo Bay Mines	12½	—	20c	—	0.7
—	Euro-Asia Capital Ltd.	176p	—	—	—	—
—	Galactic Resources	512p	—	—	—	—
—	Global Data Systems	49p	—	—	—	—
—	♥Granges Explnl‖	653p	—	—	—	—
—	♥Gt Pacific Res.	16½p	—	—	—	—
Ja Ap Jy Oc	♥Gulf Canada‖	14	26.3	52c	—	1.7
Ap Jy Oc Ja	♥Hawker Sid Can‖	12⅞	15.11	96c	—	3.4
—	Henlys Group	612p	—	—	—	—
Mr Jn So Dc	Hudson's Bay ‖	11¼xd	30.6	60c	—	2.5
Mr Je Se De	♥Imperial Oil‖	35⅝	26.11	$1.60	—	2.1
Jan.Ag.J.O.	Inco‖	11⅞xd	29.4	US$0.20	—	1.0
—	♥Intl. Corona Res.	19	—	—	—	—
Fe My Au No	♥Inland Nat. Gas $1	671p	30.12	60c	—	4.1
—	♥Lacana Mining Corp ‖	846p	—	Q15c	—	0.8
—	♥Muscocho Expln.	259p	—	—	—	—
—	♥Ntnl Business Syst.‖	905p	—	—	—	—
—	Nevada Goldfields	523p	—	—	—	—
June Dec	♥Rio Algom	11	6.11	$1.30	—	5.4
Mr Je Se De	Royal Bk. Can. ‖	16⅞	21.4	$2.00	—	5.5
—	♥Royex Gold Mining ‖	241p	—	—	—	—
Se De Mr Ju	Seagram‖	49¼	14.2	US$1.00	—	1.2
F My Au No	Toronto-Dom. Bk.‖	15	22.9	84c	—	2.6
—	♥Trans Atlantic Res ‖	89p	—	—	—	—
Ja Ap Jy Oc	♥Trans Can Pipe	881p	1.12	$1.12	—	5.9
—	Varity Corp‖	141p	11.77	B—	—	—

BANKS, HP & LEASING

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Feb July	ANZ $A1	190	26.5	hQ20.7c	2.4	4.9	8.5
Dec July	Allied Irish	258	1.6	Q61.6%	2.8	5.5	9.0
—	Algemene Fl.100	£143		nQ27%	2.1	5.8	8.1
June Dec	Anglo Irish	60xd	1.6	gQ19.69%	1.4	7.3	15.3
—	Ansbacher (H.) 1p	100½	23.3	2.0	—	2.7	—
Dec June	Banco de Bilbao S.A.	£33¼	9.12	Q38%	3.0	2.8	18.7
March Sept	Banco de Santander	£30	30.4	Q23.2%	♦	1.5	♦
July Dec	Bank Ireland Ir£1	240	1.6	nQ15.93%	2.9	6.1	8.3
—	Bank Leumi	£14	—	—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan	July	PWS Holdings 10p	369	1.6	†9.25	2.9	3.4	13.8
—		Pearl Group 5p	387	27.4	10.5	—	3.7	—
Nov.	May	Prudential	£20½	6.4	29.0	—	3.6	—
Nov.	May	Refuge 5p	550	23.3	15.75	—	3.9	—
Jan.	May	Royal	535	23.3	b15.5	—	4.0	—
April	Oct.	Sedgwick Group 10p	324	9.3	12.0	1.7	5.1	13.8
May	Nov	Steel Burrill J.10p	318	6.4	9.0	2.0	3.9	17.7
Nov.	July	Stewart Wr. 20p	615	11.5	13.0	2.0	2.9	21.8
Mar	Sept	Sturge Hldgs 20p	580	26.1	†10.0	2.5	1.4	37.8
Jan.	July	Sun Alliance	£18½	11.5	23.5	—	3.2	—
June	Nov	Sun Life 5p	£12¾	6.4	28.5	—	3.2	—
April		♥Taisho M EDR	648	25.3	g010%	—	0.9	—
Fb My Au Nv		Torchmark $1.00	£17½	10.7	060c	—	2.1	—
Nov.	May	Trade Indemnity	365	6.4	4.3	—	1.6	—
Ma Ju Se De		Travelers $2.25	£27¼	27.4	$2.28	—	5.0	—
Dec	June	USLIFE Corp. $1.0	£23¾	5.11	061.20	3.2	3.1	5.1
June	Nov	♦Utd Friendly B 10p	723	1.6	21.0	—	4.8	—
May	Nov	Willis Faber 12½p	420	27.4	10.75	1.9	3.5	21.3
Mar.	July	Windsor Secs. 10p	73	22.12	10.7	1.5	1.3	67.3

LEISURE

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
October		♦A & M Group 10p	27½	11.8	0.4	2.0	2.0	34.4
Jan	July	A-R TV Pref. £1	80	22.12	5.95	48.1	12.2	—
—		Airtours 10p	230	—	R5.4	2.5	3.3	16.7
May	Aug.	Anglia TV	440xd	29.6	†g11.25	3.3	3.5	12.2
—		♦Aspinall Hldgs. 10p	165	23.2	6.0	1.2	5.0	22.6
		♦Avesco 1p	115a	—	0.5	6.7	0.6	32.4
—		♦BCE Hldgs 5p	59½	—	Rd1.0	3.0	2.3	19.8
July	Nov	Barr & W.A.T. 'A'	238	29.9	8.0	1.4	4.6	19.4
		Bond Media	48		—	—	—	—
—		Boosey & Hawkes	225	4'84	—	—	—	—
		♦Border T.V.	58	23.2	†g2.5	3.2	5.9	14.6
June	Dec	Brent Walker 10p	361	27.4	g8.5	2.2	3.8	17.4
Mar.	Nov.	Campari Int. 20p	281	6.4	3.0	5.1	1.5	14.4

PAPER, PRINTING—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Feb.	Aug.	♦Moss Advertising 5p	83xd	29.6	d2.45	1.2	4.1	25.0
Feb	Oct	Norton Opax 10p	177xd	29.6	4.0	♦	3.1	♦
Fb My Ag Nv		Ogilvy Group $1	£21.2	12.5	084c	—	2.4	—
—	—	Olives Paper 20p	120	9/83	—	—	—	—
Jan	July	♦Osborne & Little 5p	308	15.6	3.9	3.8	1.7	21.0
Jan	Sept	Oyery Communications	92	10.11	1.25	1.0	1.9	53.2
May	Dec	♦Peters (Michael)	164	6.4	†2.6	2.4	2.2	26.8
Apr.	Sept	Saatchi 10p	674	23.2	†s12.14	2.2	2.5	21.0
Oct	Apr	Do. 6.3pcCnvPrefE1	133½	23.2	6.3%	—	6.5	—
May	Dec	St Ives 10p	885	11.5	†4.5	5.6	0.7	34.8
Mr Je Sp Dc		Scott Paper	£45¾	26.5	061.12	—	1.5	—
May		Stanwick 2p	580	23.3	†4.22	4.0	1.0	34.3
Feb	Oct	Smith (David S.) 20p	438	26.1	†6.2	3.0	1.3	34.6
Dec	July	Smurfit (Jefsn.)	525	1.6	022.2%	4.7	1.0	33.9
—		♦Space Planning Servs.	81	23.3	F1.2	2.9	2.0	15.4
Jan.	July	Sterling Publishing 5	136xd	29.6	2.2	2.3	2.2	25.8
Jan.	July	♦TMD Advertising	215	22.12	2.0	3.7	1.3	28.7
—		♦Thorpac Group 2½p	75	—	b0.83	2.6	1.5	35.1
July	Dec	Usher Walker 10p	286	12.5	8.05	2.4	3.9	14.9
July		Valin Pollen Int 5p	290g	12.1	1.5	5.9	0.7	32.9
October		WCRS Group 10p	738	24.11	6.25	♦	1.2	♦
Jan	July	WPP Group 10p	965	27.4	03.2	4.1	0.5	72.2
—	—	Wace Group 20p	315	5'81	—	—	—	67.6
Dec	July	Waddington (J.)	292xd	29.6	6.0	2.3	2.8	19.0
Nov	April	Watmoughs	455	23.3	b6.5	2.3	2.0	30.5
—		♦Whay Mackay-LewisMp.	293	—	L4.0	♦	1.9	♦
Jan.	June	♦Yellowhammer 5p	282	22.12	2.1	♦	1.0	♦

PROPERTY

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan	July	Allied London 10p	123	10.11	†1.75	3.0	1.9	22.9
—		Arlington Sec 10p	308	6.4	g2.2	4.1	1.0	36.4
July		Asda Property 20p	725	1.6	43.5	♦	0.7	♦

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—		Allied Ins. Brokers	120	—	13.5	2.5	4.1	13.9
—		Amercoeur Energy 10p	83	—	—	—	—	—
	—	Ardmore Pet. 'A'	12	—	—	—	—	—
—		Catalyst Comms. 5p	76	—	—	—	—	31.6
—		Chelsea Artisans 5p	173	—	—	—	—	23.2
	—	Comac Group 5p			—	—	—	—
—		Corton Beach 10p	146	1.6	0.4	♦	0.4	♦
—		Crown Eyeglass 5p	185	—	—	—	—	—
—		Edenbrug Investment	285	—	—	—	—	—
—		Eglinton Oil Ir.5p	25	—	—	—	—	—
—		Do. Warrants	19	—	—	—	—	—
—		Publishing Hldgs.5p	67	—	—	—	—	38.8
—		Theme Holdings	85	27.4	1.0	♦	1.6	♦
—		Unit Group	140¢	—	R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ✣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	98	+2	Fin. 13% 97/02	£110¾	.....
Craig & Rose £1	£18¼xd	.....	Arnotts	355	+10
Finlay Pkg. 5p	127	+2	CPI Hldgs	58	.....
Holt (Jos) 25p	980	..	Carrol Inds.	183xd	+8
IoM Stm. £1	128	+3	Dublin Gas	18	.....
IRISH			Hall (R. & H.)	118	.....
			Helton Hldgs.	38	−2
Fund 11¼% 1988	£100½	.....	Irish Ropes	190	+20
Nat. 9¾% 84/89	£98½	.....	Unidare	440	+30

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp.	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	19	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	380
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds.	62		
Marks & Spencer	22	Cons Gold	95
Midland Bk	55	Lonrho	26
Morgan Grenfell	35	Rio T Zinc	90

A selection of Options traded is given on the London Stock Exchange Report Page.

CONSTRUCTION CONTRACTS

International headquarters for Thorpe

TROLLOPE & COLLS MANAGEMENT, part of the building and civil engineering division of the Trafalgar House Group has been awarded an £8.5m contract from Pelmaks Project Management Services for the construction of a new international headquarters at Thorpe, Egham, Surrey, for the RMC Group.

The work will comprise substantial refurbishment of three existing buildings—a Georgian residence, a former coach house and an Edwardian property, each to be connected by a new single-storey, flat-roofed construction. The works, covering an area of approximately 4,000 sq metres, will largely consist of office accommodation, an amenities block and extensive sports facilities.

Nearly £2m of the contract value is to be spent on extensive environmental works. Much of the new flat-roofed area is to be planted and some 24 ins of topsoil is to be deposited on it for that purpose.

The properties are situated in a conservation area adjacent to RMC's group leisure complex at Thorpe Park, and Trollope & Colls is taking considerable steps to preserve the many trees that lie in the vicinity. The design by Edward Cullinan CBE has been commended by the Royal Fine Art Commission. The contract is due for completion within a 21 month period and Trollope & Colls Management hope to start work on site at the beginning of October.

Dublin Airport expansion

Construction of a new runway at Dublin Airport is included in contracts worth £14m awarded to TARMAC CONSTRUCTION. The Dublin contract, a joint venture with P. J. Walls (Civil) of Dublin, is valued at about £11.8m and is being carried out for Aer Rianta, the airport authority.

It involves constructing a new runway and associated taxiways, earthworks, drainage, ducting concrete paving and asphalt paving. Work has just started and is scheduled for completion in 78 weeks.

Other projects include preliminary civil engineering work for a new building at Trowbridge, Wiltshire, for Nestles (£1.3m) converting premises at Swansea into a bank for Midland Bank (£498,000); and a health centre at Coleford, Gloucestershire, for Gloucester Area Health Authority (£409,000).

The contract housing division has a £227,000 contract for work on homes at Sheffield for the Sutton Housing Trust.

Blood transfusion centre at Colindale Hospital

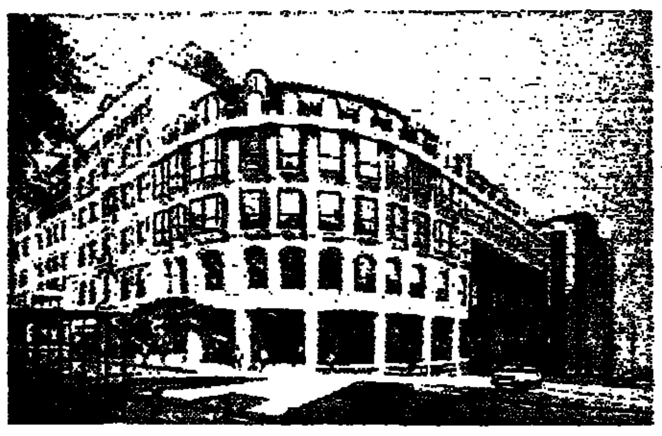
Contracts totalling £13m for a new blood transfusion centre in North London, an industrial development in High Wycombe and an office refurbishment in City Road, London, have been awarded to KYLE STEWART. The largest is a management contract for the £7.5m blood transfusion centre at Colindale Hospital. Work has started on the 18-month project to provide a four-storey building containing laboratories and offices to serve a major part of London, Hertfordshire and Bedfordshire. The client is the North West Thames Regional Health Authority.

At the Castle Industrial Estate in High Wycombe, Buckinghamshire, four factory and warehouse units are to be provided for Brixton Estate under a design-and-construct contract worth almost £4m. Work on the 9,050-sq-metres development is to start soon, with completion due in December 1988.

Upgrading and refurbishment work is being carried out at Epworth House, 25-35 City Road under a £1.6m contract for Epworth House Investments. Due for completion later this year, the current phase involves modernising two floors of the building and communal areas, and renovation of external marble cladding.

Riding centre in Texas

TAYMECH (USA), part of the Taylor Woodrow Group, has been awarded a $2.5m (£1.53m) contract to provide mechanical services for the Will Rogers Equestrian Center, being constructed for the City of Fort Worth, Texas. The project covers 9.2 acres of the city's west side and comprises two major buildings with a combined floor area of 412,000 sq ft and a parking garage of 233,000 sq ft. Included in the major buildings are an exhibition hall, a coliseum, administrative offices, livestock quarters, veterinarian's offices, a fire station and concession areas. The general contractor for the project is Spaw-Glass, Inc., a subsidiary of the S.A.E. Group of Paris, France. By the completion of the project, scheduled for January 1988, Taymech will have installed in excess of 12 miles of piping and ventilating equipment, capable of handling over two million cu ft of air per minute.



An Architect's impression of Cathedral Court, Colmore Row, in the centre of Birmingham, being constructed by Mowlem Midlands, a division of Mowlem Regional Construction

MOWLEM MIDLANDS, the Birmingham-based division of Mowlem Regional Construction has been chosen by Hortons' Estate as contractors for the £4m Cathedral Court development at Colmore Row, an important site in the heart of Birmingham.

The work comprises the demolition of the existing derelict Victorian building on site and the construction of a six-storey prestige building with 40,000 sq ft net of air-conditioned office space and parking for about 41 cars on two basement levels. The structure will comprise reinforced concrete foundations, retaining walls, columns and external walls up to fourth floor level, steel framework above and in-situ concrete suspended slabs, stairs, stairwell and twin-lift shaft.

The street elevations are stone clad and windows are double-glazed aluminium frame with synthaputin finish and both internal and external finishes will be to a high standard. Work has just started for completion in autumn 1988.

Hospital facilities

HIGGS & HILL NORTHERN has been awarded three contracts worth over £4.3m for health related buildings in the north of England. At Northowram Hospital, near Halifax, West Yorkshire, work includes the construction of new ward and day hospital buildings for the Yorkshire Regional Health Authority. The wards are to be adjacent to the existing hospital buildings and linked by a corridor. They will provide over 1100 sq metres of additional floor area. The two buildings will be single-storey and of traditional construction. They will have tiled, pitched roofs and will be clad in facing brickwork.

The Midlands region has been awarded a £3.5m contract by N F C Properties for the construction of a mechanised letter office at Clifton Road, Cambridge for use by the Post Office. The contract also includes associated offices, welfare, plant and transport accommodation and external works. The main sorting hall is a 36 metre span, steel portal framed structure with a maximum internal height of 11 metres. It will be clad in steel sheeting and includes associated office, welfare, long gallery at first floor level. The office and welfare accommodation is housed in a three-storey steel framed building with metal deck and reinforced concrete floor construction. The gross floor area of the project is 7600 sq metres.

Yorkshire superstore project

CLUGSTON CONSTRUCTION has won contracts worth £10m for a variety of building and civil engineering works. The largest is a 5,000 sq metres superstore at Heckmondwike, West Yorkshire for Wm. Morrison Supermarkets. Valued at £4m, the work is due for completion in 37 weeks.

Civil engineering contracts include a new £1.1m air separation unit at Saltend, Hull for Air Products, part of BP Chemicals acetyls expansion project, and the annual term contract for Peterborough Development Corporation involving a variety of civil works and valued at £1m.

Further building contracts include a £2.1m four-storey building incorporating mortuary, outpatients and rehabilitation units which forms phase 4A2 of the Scunthorpe and District General Hospital development for the Yorkshire Regional Health Authority, and a £1.1m contract for the Home Office involving a mixture of refurbishment and new-build works to a new prison at Lindholme, Doncaster.

★

ELLIOTT - MEDWAY CONSTRUCTION (NORTHERN), part of Falcon Industries, has been awarded a design and construction contract worth £2.26m for temporary Crown courts at Snaresbrook, London, E11, by the PSA Directorate of Civil Accommodation. The building, comprising six Crown courts and ancillary accommodation including a secure cell block, is to be constructed utilising a combination of steel frame, Speedshell building system and traditional construction. The total area, on two floors, with an extensive plant room on the roof, is in excess of 3,500 sq metres. Externally the building is clad with facing brickwork to the ground floor and with PVC-coated profile steel sheet to first floor and plant room. The roof is of a PVC-coated steel sheet sandwich construction. Construction of car parks, landscaping and planting are also included in the contract.

★

ANDREWS-WEATHERFOIL has received orders worth a total of £6m for building services installations. The contracts include work in Throgmorton Avenue in the City of London (£1.5m), a new police station in south London (800,000), a Cascades residential development in London Docklands (£1m), and a joint credit card development in Basildon (£600,000).

APPOINTMENTS

Two changes at Charterhouse Bank

CHARTERHOUSE BANK has made the following appointments: Mr David Pellett has been appointed as an assistant director, in charge of credit analysis. Previously with The Hongkong and Shanghai Banking Corporation, and the American Express Bank, he joins the London office from The Royal Trust Bank. Mr David Hunt has been appointed as an assistant director of Charterhouse Bank, Manchester, where he will be working in corporate and commercial banking. Previously with Old Broad Street Securities, and Kleinwort Benson, Manchester, he joins from The Royal Trust Bank where he was manager of the Manchester office.

★

F. J. C. LILLEY has made Mr John Constantine a non-executive director. Mr Constantine retired on April 1 from his position as senior partner of Thomson McLintock and Co's Birmingham office.

★

Mr John C. Howley, the controller (marketing) of YORKSHIRE BANK since 1983, has been appointed to head a new division following the bank's acquiring principal card issuing status within the Visa International organisation. He will have the title controller (Visa services). Mr David Mortimer has been appointed controller (marketing) to succeed Mr Howley. Mr Mortimer is deputy chief executive of Yorkshire Bank Finance.

★

Mr Ian McLellan has been made rights director at MACDONALD AND CO (PUBLISHERS). Ms Roberta Bailey, children's rights director, is promoted to the new position of deputy director in the rights department.

★

Mr Peter Gray has been appointed general manager of AVDEL the major subsidiary of Newman Industries. He was the production director.

★

Mr Antony Peaker has been appointed associate director and head of international bond fund management in the portfolio management division of FUJI INTERNATIONAL FINANCE. He was previously vice-president of Bankers Trust Company where he held various briefs, most recently that for longer-term positioning in foreign exchange and bonds in the London treasury of the bank.

★

RECHEM INTERNATIONAL, the trading subsidiary of Rechem Environmental Services, has appointed Mr Michael Pullen and Mr David Wheeler to the board. Mr Pullen joined the company last summer as marketing manager and Mr Wheeler, who joined at the same time, as general manager of the Pontypool plant.

★

Mr T. A. Waites has been appointed managing director of PATONS AND BALDWINS, a subsidiary of Coats Viyella. He was appointed financial director in 1979 and deputy managing director in 1985. He succeeds Mr A. L. Henderson, who has been appointed chairman of Patons and Baldwins, a position which will involve him in the worldwide development of handknitting activities within the Coats Viyella Group.

★

Mr Derek Rome has been appointed an associate director of GRANDFIELD RORK COLLINS FINANCIAL.

★

HI-TECH SPORTS has made Mr David Ling its marketing director. He was sales and marketing director of Adidas.

★

At CDP FINANCIAL PARTNERSHIP Mr Nigel Linacre has become an executive director.

★

HOBOURN GROUP has made the following changes: Mr William G. Pickering is appointed managing director of Hobourn Engineering. He was previously manufacturing director. Mr Ian Douglas is made manufacturing director, Mr Simon J. Baseley is appointed engineering director and Mr John R. Cobbett financial director. Mr Ian T. Bristow is appointed managing director of Hobourn Technology, a newly-created subsidiary dealing with forward engineering projects. He was previously engineering director of Hobourn Engineering. Mr James M. Omand, managing director of Hobourn Group, has become chairman of Hobourn Engineering and Hobourn Technology.

★

Mr Alastair Holberton, the London representative of New Zealand Gold Fields (NZGF), has joined the board of EUROPA MINERALS.

★

Mr Alan Aitchison, previously an investment manager with Charterhouse Investment Management, has been appointed an executive director of DUNEDIN PORTFOLIO MANAGERS, the subsidiary of Dundedin Fund Managers, which is responsible for private client's portfolios.

★

Mr Rafael Miquelez has joined LESLIE AND GODWIN REINSURANCE as a director. He has spent 20 years in the reinsurance business, being previously an executive director of the non-marine treaty department of Hogg Robinson and Gardner Mountain.

★

GRAMPIAN HOLDINGS has appointed Professor Donald MacKay, an economist, as a non-executive director.

★

Ms Mary Kerr, who is in the banking division, has joined the board of KLEINWORT BENSON.

FINANCIAL DIARY

TODAY
COMPANY MEETINGS—
F and C Alliance Invst 1 Laurence Pountney Hill, EC. 12.15
Gates (Frank G.), Elmhurst, Queen Mary College, 98-110 High Road, Woodford. 12.00
BOARD MEETINGS—
Finals:
Ellis & Everard
Kleen-E-Ze
Norbin Electronics
Quest
Zygal Dynamics
Interims:
Marine Adventure Sailing Tst
Rand Mines
DIVIDEND & INTEREST PAYMENTS—
Assoc Fisheries 1p
Barlow Rand 30 cts. Pf 52.5 cts
Brisst 0.75p
Chillington Corp 4.5p
Harris Queensway 4p
Henderson Group 5p
London Atlantic Invst Tst 5.15p
Smart (J.) (Contractors) 1.45p
Sweden (Kingdom of) Flg Rate Nts Jan 2005 $303.33
TOMORROW
COMPANY MEETINGS—
Amber Indl, Cayzer House, 2-4 St Mary Axe, EC. 3.30
Chesterfield Props, Avery House, 1 Avery Row, W. 11.00
Fairbriar, The Brewery, Chiswell Street, EC. 12.00
Hanover Druce, 21 Manchester Square, W. 10.30
Harrison Inds, Post House Hotel, Palatine Road, Northenden, Manchester. 10.30
Lep, Glaziers' Hall, 9 Montague Close, SE. 12.15
Platignum, Connaught Rooms, Great Queen Street, WC. 10.00
Salvesen (Christian), 50 East Fettes Avenue, Edinburgh. 12.00
Sapphire Petroleum, Great Eastern Hotel, Liverpool Street, EC. 12.00
Sterling Inds, Cayzer House, 2-4 St Mary Axe, EC. 12.30
BOARD MEETINGS—
Finals:
BBB Design
Fergebrook
Fleming Overseas Inv Tst
Greene King
Howden Group
Moorgate Inv Tst
Freedy (Alfred)
Scottish & Mercantile Inv Tst
Sekers Intl
Interims:
Crescent Japan Inv Tst
Egerton Tst
General Cons Inv Tst
New Tokyo Inv Tst
St Andrew Tst
Tinsley (Eliza)
DIVIDEND & INTEREST PAYMENTS—
Anglia Bldg Soc Fltg Rate Nts Jan 1998 £125.4
Bank of Nova Scotia Fltg Rate Debs July 1994 $317.38
Bristol Stadium 1.4p
Carrolls Inds 2.8p
Chesterfield Props 8.2p
Craig and Rose 41p
Creditanstalt Bankverein Sub Fltg Rate Nts 1994 $157.12
F and C Alliance Inv 1.4p
Funding 3½pc 1999-2004 1¾pc
Gates (Frank G.) 4p
Hewden-Stuart Plant 1.275p
Lasmo Eurofinance BV Fltg Rate Gtd Nts 1989 $163.40
National Bank of Canada Fltg Rate Dep Nts July 1991 $160.28
Tiger Oats 124 cts
Treasury 3pc 1987 1½pc, 12½pcLn 1993 6¼pc, Treasury 13pc 2000 6½pc
COMPANY MEETINGS—
British Land, Mayfair Hotel, Stratton Street, W. 12.00
Carless Capel and Leonard, Connaught Rooms, Great Queen Street, WC. 10.30
Cater Allen, 1 King William Street, EC. 12.30
Foster (John) and Son, Black Dyke Mills, Queensbury, Bradford. 12.30
Henderson Administration, 26 Finsbury Square, EC. 12.00
Hille Ergonom, 369 Euston Road, NW. 2.30
London Trust, Savoy Hotel, Strand, WC. 12.00
New Throgmorton Tst (1983), Armoury House, City Road, EC. 12.30
Powell Duffryn, Waldorf Hotel, Aldwych, WC. 12.00
Regalian Props, Ironmongers' Hall, Aldersgate Street, Barbican, EC. 2.30
Unilock, London Press Centre, New Street Square, EC. 12.00
WEDNESDAY JULY 15
BOARD MEETINGS—
Finals:
Authority Invs
Bulmer (H. P.)
Dixons
Craig Shipping
MS Intl
Michael (John) Design
Parkfield
Tops Estates
Wyko
Interims:
Airtours
Eurotherm Intl
March
Tatol Property Shares
Union Discount
DIVIDEND & INTEREST PAYMENTS—
Abbey National Bldg Society Fltg Rate Nts £249.32
Agricultural Mortgage Corp. 6¼pcDb 1992-94 3⅛pc, 5½pcDb 1993-95 2¾pc
Allied Irish Banks 6.25p
American Medical Int 9⅛pcLn 2011 4⁹⁄₁₆pc
Arbuthnot Govt Securities Tst Inc Ptg Red Pf 2.5p
Assoc Electrical Inds 6¼pcDb 1986-91 3⅛pc
Bank of New York O'seas Finance NV Gtd Fltg Rate Sub Nts Jan 1996 $175.36
Barclays Bank 12pcLn 2010 6pc
Barings BV Gtd Fltg Rate Cap Nts 2001 (Family Tsun Invs) $320.52
Bell Canada Enterprises 60 cts
Cakebread Robey 3p, A Non Voting 3p
Churchbury Estates 4.2pcPf 2.1p
Chrysler Corp 25 cts
Citicorp Overseas Finance Corp NV Gtd Fltg Rate Nts 1982 $170.63
Cosalt 10pcLn 1983-88 5 pc
Crowther (John) 2.5p
Delmar 2.15p
Edinburgh Invst Tst 3½pcDb 1998 1¾pc
External Invst Tst 10.3p
Foster (John) and Son 2.5p
Govett Strategic Invst Tst 10¼pcDb 2016 5⅛pc
Howard and Wyndham 18pcLn 1976-91 9pc
Leo 2.25p
Ley's Foundries and Engineering 6pcPf 2.1p
London and Scottish Marine Oil 9⅝pc Red Pf 4.8125p
Lucas Inds 10½pcLn 1992-97 5¼pc
MandG Dividend Fund 7.6p
Morgan (J. P.) 34 cts
Motorola 16 cts
Murray Int 3.9pcPf 1.95p, 6pcDb 1983-88 3pc
Nationwide Bldg Soc Fltg Rate Nts 1996 £124.74
North Surrey Water 4pcDb 2pc, 4½pcDb 2¼pc, 5½pcDb 2¾pc, 7½pcDb 1991-93 3¾pc
Occidental Petroleum 62.5 cts
Pacific Gas and Electric 46 cts
Phicom 8pcPf 4p
Premier Group 69 cts, Pf 67.5 cts, Fltg Rate Nts 1989 $209.24
Quaker Oats 20 cts
Quebec Central Railway Cap 2.5pc
Robinson (Thomas) 7pcPf 3.5p
Saul (B. F.) Real Estate Invst Tst 5 cts
Sweden (Kingdom of) 11pcLn 2012 (Reg) 5½pc
TR Indl and General Tst 4½pcDb 2¼pc
Treasury 13pc 1990 6½pc, 9½pcLn 1999 4¾pc
Upton (E.), and Sons 10pcLn 1990 5pc
Wells Fargo Fltg Rate Sub Nts July 1997 $180.1
Witan Invst 3.4pcPf 1.7p
Zentralsparkasse und Kommerzialbank Wien Fltg Rate Sub Nts $161.83
COMPANY MEETINGS—
Brown Shipley, Founders Court, Lothbury, EC. 12.30
THURSDAY JULY 16
BOARD MEETINGS—
Finals:
Israel (Jack L.)
Jones Stroud
Interims:
Dewhurst
Jersey Electricity
Kershaw (A.)
Rank Organisation
River & Mercantile Tst
Scottish Mortgage & Tst
DIVIDEND & INTEREST PAYMENTS—
Anglo and Overseas Tst 4½pcPf 1.575p
Barker and Dobson 1p
Beradin 0.6p
European Inv Bank 9pcLn 2001 (Reg) 4½pc
General Mining Union Corp 6pcPf 6 cts
Hill Samuel Fltg Rate Nts 2016 $336.23
Londo 1.3p
MandG Second Dual Tst 6.45p
Moran Tea 10p
New Throgmorton Tst (1983) 3.35p
Northern Ind Improv Tst 5p
Treasury 8½pcLn 2007 4¼pc
Unigate 7p
COMPANY MEETINGS—
Ferguson Indl, Appleby Grammar School, Appleby, Cumbria. 11.30
GT Global Recovery Invst Tst, 8 Devonshire Square, EC. 12.30
Personal Assets Tst, 1 Charlotte Square, Edinburgh. 12.30
FRIDAY JULY 17
BOARD MEETINGS—
Finals:
Apollo Holographics
Atlantic Assets Tst
Bristol Channel Ship Repairers
Independent Inv
Mountview Estates
Park Food
Thorpac
Interims:
Anglo and Overseas Tst
Greenfriar Inv
Tribune Inv Tst
DIVIDEND & INTEREST PAYMENTS—
British-Borneo Petrol Syndicate 15.5p
Burmah Oil 9.5p
Falcon Mines 230.5
First Union General Invst Tst 10 cts
Gartmore American Securities 0.8p
Godwin Warren Control Systems 1.1p
Headlam, Sims and Coggins 0.5p
Hill Samuel 11p
McInerney Props 1r4p
Marks and Spencer 3.1p
Plaxtons (GB) 1.5p
Sainsbury (J.) 4.95p
Sangers Photographics 1.6p
TR North America Invst Tst 1.5p
Treasury 2½pc I-L 2024 1¼pc
Tunstall 1p
Yorkshire TV 3p
SATURDAY JULY 18
DIVIDEND & INTEREST PAYMENTS—
Deritend Stamping 6.3p
SUNDAY JULY 19
DIVIDEND AND INTEREST PAYMENTS
Exchequer 9½pc 1998 4¾pc
Treasury 2pc I-L 2006 £1.42

PARLIAMENTARY DIARY

TODAY
Commons: Motion for the summer adjournment. Proceedings on the Consolidated Fund Bill.

TOMORROW
Commons: Committee consideration of the Finance Bill. Motion on the Licensing (Northern Ireland) Order, followed by motion on the Registration of Clubs (Northern Ireland) Order.

WEDNESDAY
Commons: Committee consideration of the Finance Bill. Motion on the Rate Support Grant Supplementary Reports for England and Wales. Motion on the Urban Development Corporatons (Financial Limits) Order.

THURSDAY
Commons: Committee consideration of the Finance Bill. Remaining stages of the British Shipbuilders (Borrowing Powers) Bill. Motion on the Redundant Mineworkers and Concessionary Coal (Payments and Schemes) (Amendment) Order.

FRIDAY
Commons: Private members' motions.

BUSINESSMAN'S DIARY

Trade fairs and exhibitions: UK

Current
World Wine Fair (01-729 0677) (until July 19) Bristol — Bristol

July 14-16
Electronic Design Automation Show (01-242 3621) — Wembley Conference Centre

July 17-18
Cash and Carry Fashion Fair (01-727 1929) — Kensington Town Hall

July 19-23
Gift Trade Fair (0282 867153) — Harrogate Exhibition Centre

July 23-26
Acorn Computer User Show (01-836 2441) — Barbican Centre

July 28-August 2
British Music Fair (01-385 1200) — Olympia

August 2-5
BFM Furniture Show (01-724 0851) G-Mex Centre, Manchester

August 6-9
Connoisseur and Collectors' Fair of Antiques and Memorabilia (021-780 4171) — NEC, Birmingham

August 23-25
International Craft and Hobby Fair (04252 72711) — Wembley Conference Centre

August 30-September 1
Scottish Industry and Commerce Trade Fair (0202 767073) — Scottish Exbn Centre, Glasgow

September 2-4
IMB System User Show and Conference (01-608 1161) — Olympia

September 4-6
Money Show (0895 59431) — Aberdeen

September 6-10
Autumn Gifts Fair (01-855 9201) — Olympia

September 8-11
Offshore Europe Exhibition and Conference (01-549 5831) — Aberdeen

September 8-19
Chelsea Antiques Fair (04447 2514) — Old Town Hall, Chelsea

September 14-18
International Welding, Cutting and Metal Fabrication Exhibition —WELDEX (021-705 6707) — NEC, Birmingham

Overseas

July 16-20
International Integration of Western and Chinese Medical Technology and Pharmacology Exhibition (01-486 1951) — Shanghai

July 22-25
British Products and Services Fair (0206 240668) — Amman

July 24-27
Electronic Products Exhibition —INTERNEPCON (01-940 8777) — Kuala Lumpur

August 21-27
International Jewellery and Watches Exhibition—JEWELFAIR (01-464 4129) — Singapore

August 22-26
International Autumn Fair (Consumer Goods) (01-734 0543) — Frankfurt

September 3-6
Specialised Fair for Clocks, Watches and Jewellery — JUWELIA (01-977 4551) — Vienna

September 6-9
International Exhibition of Sports Goods and Leisure Equipment (01-255 5566) — Paris

September 6-12
International Autumn Fair (01-240 7013) — Leipzig

Business and Management Conferences

July 13-14
Spectra: How can retail management use data collected from sales points — to make their businesses grow? (0734 794161) — Portman Hotel, W1

July 15-17
National Association of Futures Trading Advisers: Managed money — a global perspective (Illinois (312) 644-6610) — Ritz Carlton Hotel, Chicago

July 16-17
Frost and Sullivan: Strategies for dramatically reducing your inventory costs (01-730 3438) — Sullivan House, SW1

July 28-30
Microwave Association: Educating the educators (01-229 8225) — Royal Holloway and Bedford College, Egham

July 29
Industrial Society: Profit related pay (01-839 4300) — 3 Carlton House Terrace, SW1

August 10-12
Frost and Sullivan: Managing the data centre as a business (01-730 3438) — London

Sept 7-8
IBC: Broadcast radio into the 90's (01-236 4080) — London Press Centre, EC4

September 10-11
Financial Times: World Motor (01-621 1355) — Frankfurt

Sept 10
Tolley Publishing Co.: Your company pension scheme — time for action (01-680 5682) — London Press Centre, EC4

September 15-16
Euromoney: Short term and medium term financing alternatives (01-236 3288) — St Regis Sheraton, New York

September 16
IRRG: Financial Services—today and tomorrow (01-236 2175) — The Brewery, EC2

September 24
Tolley Conferences: Payroll manager's review—first annual updating (01-680 5682) — London Press Centre

September 29
Information for Energy Group—Energy statistics (01-636 1004) — 61 New Cavendish Street, W1

Sept 29-30
Business Research International: How to buy and sell companies (01-637 4383) — Hotel Inter-Continental, W1

Sept 29-Oct 2
RMDP: EPoS with EFTPoS congress and exhibition on computers in retailing and distribution (0273 203581) — Barbican Centre, EC2

October 4-9
IPM: Selecting managers—advanced interviewing and assessment skills (01-946 9100) — Bristol

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published

WORLD STOCK MARKETS

AUSTRIA

1987 High	Low	July 10	Price Sch%
2410	1890	Creditanstalt	1919.00
3210	2460	Goesser	2600.00
13200	10800	Interunfall	11800
14,000	7050	Jungbunzlauer	7500
2125	1740	Laenderbank	1830.00
712	600	Perlmooser	679.00
167	108	Steyr-Daimler	119.00
1113	690	Veitscher Mag	748.00

BELGIUM/LUXEMBOURG

1987 High	Low	July 10	Price Frs.
3355	2900	B.B.L.	3355
16000	15300	Banque Gen. Du L.	15300
15200	14300	Bank Int. A	14300
12500	9000	Bekaert B	12000
6110	3900	Ciment CBR	5960
182	131	Cockerill	170
3830	2700	Delhaize	3755
5500	4685	EBES	5160
2700	1320	Fabrique Nat	1500
1250	926	GB Inno BM	1250
4525	3430	GBL (Brux) L	3900
6850	6080	Generale Bank	6600
7950	6000	Gevaert	7880
8020	6680	Hoboken	7780
4510	3765	Intercom	4180
4800	4040	Kredietbank	4740
12700	10,650	Pan Holdings	12700
12500	9210	Petrofina	12300
8000	5000	Royale Belge	6250
4180	3115	Soc Gen Belge	4170.00
15800	10375	Sofina	15100
13850	8270	Solvay	13650
450	185	Stanwick Intl	450
7590	6280	Tractebel	7550
11300	8900	UCB	10725
5940	5160	Wagons Lits	5590

DENMARK

1987 High	Low	July 10	Price Kr %
970	720	Baltica Skand	950.00
299	251	Cop Handelsbank	267.00
410	300	D. Sukkerfab	300.00
375	309	Den Danske Bank	345
228	160	East Asiatic	190.00
980	820	Forenede Brygg	820
357	247	GNT Holding	250.00
845	695	I.S.S.B. Systems	760.00
575	455	Jyske Bank	515
294	238	Novo Inds.	277.00
295	243	Privatbanken	266.00
954	675	Sophus Berendsen	720.00
242	149	Superfos	230.00

FINLAND

1987 High	Low	July 10	Price Mka
248	148.5	Amer	243
53.8	43.75	KOP	53.8
248.5	184	Kone	225
118	85.5	Finnish Sugar	91
203.5	132.5	Nokia	202.5
92.7	69	Pohjola 'B'	92.5
28.25	19	Rauma-Repola	27.5
252.5	137.5	Stockmann 'B'	245
36.75	28.8	UBF 'C'	34.45
169.5	150	Utd. Paper	164
231.5	155.5	Wartsila (S11)	229.5

NORWAY

1987 High	Low	July 10	Price Kroner
79	57	Aker-Norcem	70.00
191	169	Bergen bank	175.50
405	260	Bergesen B	405.00
211	176	Christiania Bk	189.50
208	148	Den Norsk Credit	158.50
111.5	86.5	Elkem	111.50
161	128.5	Kosmos	137.00
220	170	Kvaerner	217.00
258	204	Norsk Data	226.00
424.5	301	Norsk Hydro	379.00
424	368	Orkla Borregaar	416.50
368	290	Storebrand	343.00

GERMANY

1987 High	Low	July 10	Price Dm.
350	280	AEG	309.50
2220	1553	Allianz Vers	1899
315.5	239	BASF	303.30
349.7	274	Bayer	332.50
563	365	Bayer-Hypo	433.50
523	375	Bayer-Verein	422
543	390	BHF-Bank	441
697	455	BMW	694
344	270	Brown Boveri	319
312	244.5	Commerzbank	275
354.5	269	Cont'l Gummi	353
1220	920	Daimler-Benz	1121
533.5	420	Degussa	517
240	200	D'sche Babcock	231
790	571	Deutsche Bank	645
381	286	Dresdner Bank	331
320	268	Feldmuehle Nobel	319.10
559.8	458	Henkel	549
1110	612	Hochtief	639
305.5	240	Hoechst	304.30
125.8	88	Hoesch Werke	117.50
555	367	Holzmann (P)	416
293	201	Horten	234
600	507	Hussel	579
489	403	Karstadt	485
529	447	Kaufhof	474.90
182	142	KHD	172
51.8	35	Kloeckner	43.90
1000	589	Linde	728
200	113	Lufthansa	186
197.6	148	MAN	184.50
185	142	Mannesmann	158.50
1025	740	Mercedes Hld	956
366	250	Metallgesell	340
2700	1550	Muench Rueck	2010
830	687	Nixdorf	818.90
1024	815	Porsche	1005
200	145	Preussag	176
240	186	Rhein West Elect	211
346	238	Rosenthal	275
691	524	Schering	591
747.5	620	Siemens	690
127	109	Thyssen	122.50
371.5	311	Varta	365
324.5	252	Veba	309.50
174.5	129.5	V.E.W.	160.50
486	375	Verein-West	412
430	312	Volkswagen	418.50

ITALY

1987 High	Low	July 10	Price Lire
27000	23340	Banca Com'le	23,400
715	610	Bastogi-IRBS	615
7155	5765	CIR	5925
3650	1920	Credito Italian	1939
17850	12110	Fiat	12520

ITALY Continued

1987 High	Low	July 10	Price Lire
141200	129000	Generali Assicar	132550
101400	72000	Italcement	101,050
1340	960	La Rinascente	1240
2968	2190	Montedison	2299
14700	11900	Olivetti	12,420
7840	6,380	Pirelli Co	6,500
5750	4,965	Pirelli Spa	4,965
4360	3499	Saipem	3,700
4895	3450	Snia BPD	3,450
35500	27720	Toro Assic	30,450

FRANCE

1987 High	Low	July 10	Price Frs.
1961	1515	Emprunt 4½% '73	1805
9091	6600	Emprunt 7% 1973	8875
573	446	Accor	473.00
632.5	502.5	Agence Havas	533.00
768	660	Air Liquide	699
868	666	BIC	746
619	525	BNP (Cert. Inv.)	550
3000	2380	Bongrain	2790
5220	990	Bouygues	1175
5200	4150	BSN Gervais	4920
3085	2190	CIT-Alcatel	2500
3895	3080	Carrefour	3401
746	572	Club Mediterranean	610.00
1185	649	Cie Bancaire	713
407	351	Cofimeg	351.00
336.5	315	CGE	334.90
3150	2360	Damart	2670
545	379	Darty	417
2560	1912	Dumez S.A.	2200
1543	1136	Eaux (Cie Gen)	1265
398	314	Elf-Aquitaine	386.00
3772	3219	Essilor	3650

CANADA

TORONTO
Closing prices July 10

Sales	Stock	High	Low	Close	Chng
11059	AMCA Int	$11½	11¼	11½	+¼
46694	Abitibi Pr	$34	33¾	33¾	-⅜
40250	Agnico E	$35½	33⅞	35⅛	+1¼
83139	Albrta En	$23⅛	22⅝	23	+⅜
2300	Albrta N	$14⅞	14¾	14¾	-¼
280275	Alcan	$44⅝	44	44⅛	-⅛
1200	Algo Cent	$24	23¾	23¾	-⅛
9849	Algoma St	$18	17½	18	
79300	Asamera	$13½	13⅛	13⅜	-¼
53674	Atco I f	$11⅜	11¼	11⅜	+⅛
1400	Atco II	$11½	11½	11½	
2710	BC Sugar A	$29¾	29	29	-⅛
3960	BGR A	$14	13⅝	13⅝	-⅜
46849	BP Canada	$25½	24¾	24¾	-1
3450	Banister C	$12⅞	12⅝	12¾	-⅛
33651	Bk BCol	60	58	59	+2
98373	Bk Mont	$35	34⅞	34¾	-¼
193211	Bk NScot	$18½	18¼	18⅜	
160449	Bell Can	$42¼	41¾	42	+⅛
88943	Bow Valy	$21⅛	20⅞	21	
20900	Bralorne	250	235	250	+15
1700	Bramalea	$24¾	24⅝	24⅝	-⅛
62762	Brascan A	$39⅝	39¾	39⅜	-⅛
145800	Brkwater	$9½	8⅞	9¼	+⅜
1400	Brenda M	$13¾	13⅜	13⅜	-⅜
33273	BC ForP	$22⅞	22¼	22⅞	
45545	BC Res	124	120	121	-1
19689	BC Phone	$28½	28⅜	28½	+⅛
17500	Brunswk	$16½	16½	16½	
87180	CAE	$11⅜	11⅜	11⅜	
35100	CCL B f	$14¾	14½	14¾	+¼
2047	CIL	$32⅛	32	32	-¼
140625	Cad Frv	$31⅝	31¼	31¼	-¼
3505	Cambridg	$28¼	28¼	28¼	-⅛
14625	Camp RLk	$37	36	37	+¾
47947	Camp Res	300	290	300	-10
10500	Camp Soup	$20⅞	20½	20¾	+⅛
21200	Campeau f	$41⅝	41⅜	41⅜	-⅛
4900	CCem ex p	$15¾	15¾	15¾	-⅛
83135	CDC f	$15	14¾	14¾	-⅛
2100	Can Malt	$22½	22⅛	22⅛	-⅜
24258	C Nor West	$26⅝	26	26⅝	+⅛
10000	C Packrs	$16⅛	15⅞	15⅞	-¼
100	CS Pete f	385	385	385	-15
900	Can Trust	$72	71⅞	72	-¼
1500	Cdn GE	$22½	22	22	-½
189114	CI Bk Com	$22⅝	22½	22⅝	
4850	C Marconi	$22⅝	22¼	22⅝	+⅛
8828	C Ocdental	$42⅞	42½	42⅞	+⅛
626828	CP Ltd	$27⅞	27¼	27½	-¼
52421	CTire A f	$15⅛	15¼	15⅜	
20281	CUtil A f	$20¾	20½	20⅝	-⅛
2300	CUtil B	$20⅞	20½	20¾	-⅛
12740	Cantor	$32⅛	31¾	31⅞	
800	Canron A	$16⅜	16⅜	16⅜	-⅛
14400	Cara	$13¾	13½	13½	
19500	Cara A f	$13⅝	13⅜	13½	
153500	Carma A	12	11	12	+½
1200	Celanese	$21	21	21	
6500	CentFd A	$9½	9⅜	9½	
230	Centrl Tr	$23	23	23	+⅜
1700	Chieftan	$15⅞	15¾	15⅞	+⅜
2500	CHUM B f	$15½	15½	15½	-½
204941	Cominco	$18⅝	18⅝	18⅝	
5750	Comput In	305	300	300	-10
44800	Con Bath A	$19⅜	19⅛	19¼	-⅛
63400	CDistb B f	$5	495	5	-⅛
9903	Cons Gas	$27	26½	26½	-½
30500	Con Glass	$25½	25¼	25½	+¼
300	CTL Bank	345	345	345	
5518	Conwst B	$14¼	14	14⅛	+¼
3080	Corby	$18¾	18½	18¾	+⅜
700	Costain Ltd	$13	12⅞	13	
20050	Coseka R	115	114	115	+5
3706	Crownx	$16⅝	16¼	16¼	-¾
48700	Crownx A f	$7¾	7½	7½	-¼
20250	Czar Res	238	234	235	+1
23570	Denison A p	$7¾	7⅝	7½	-¼
82370	Denison B f	$7⅜	7¼	7¼	
3200	Develcon	400	395	400	+15
10200	Dickrsn A f	$12⅛	12	12⅛	
200	Dicknsn B	$12	12	12	+½
38354	Dofasco	$28	27¼	28	+¼
108040	Dome Mine	$18⅝	18⅛	18⅛	+⅜
80520	Dome Pete	112	108	108	-3
2044	D Textile	$20⅝	20¼	20⅜	+⅛
42033	Domtar	$21	20⅞	20¾	-½
700	Donohue	$36½	36½	36½	-½
3600	Du Pont A	$31½	31½	31½	-¼
43150	Dylex A	$16⅛	15⅞	16	+⅛
300	E-L Fin	$63	63	63	
156888	Echo Bay	$26⅝	25⅞	26⅛	-¼
38000	FCA Intl	$17⅛	17	17⅛	+⅛
213378	Fcnbrdg	$24⅝	24⅛	24½	-⅛
23740	Fed Ind A	$18	17⅝	18	+⅛
3572	Fed Pion	$13	12⅞	13	
7000	FCity Fin	$20	20	20	+¼
310	Ford Cnda	$178	177½	177½	+1½
1950	Gandalf	$10¾	10⅜	10¾	-⅛
9700	Geac Comp	255	245	251	+6
1900	Gendis A	$19⅜	19¼	19¼	
7800	Giant Yk	$23⅝	23	23⅝	+⅞
5300	Gibrltar	$12⅞	12⅝	12¾	+⅛
10470	Goldcorp f	$11	10⅝	10⅞	
400	Grafton A f	$15	15	15	+⅛
4850	GL Forest	$48	47⅝	48	
13050	Greyhnd	$26	26	26	-½
8400	GuarPA f	$18¼	17⅞	18⅛	+⅛
18205	Hayes D	$11⅝	11½	11⅝	+⅛
28084	Hees Intl	$24⅞	24½	24¾	-⅛
237368	H BayMn s	$11⅛	10½	10⅝	-½
60903	H Bay Co	$23⅞	23⅝	23⅞	+¼
95117	Imasco	$35¾	35⅛	35¾	
86837	Imp Oil A	$75¾	75	75¼	-½
94669	Inco	$25⅛	24¾	25⅛	-⅛
11500	Indal	$14⅞	14⅝	14⅞	-⅛
4500	Inland Gas	$14½	14¼	14½	+¼
7200	Intrpac	$11	10¾	10⅞	-⅛
18363	Inter City	$19⅞	19½	19⅝	-⅛
101759	Intl Thom	$14⅝	14½	14⅝	+⅛
10630	Intpr Pipe	$53¼	52¾	53	
50796	Ipsco	$12⅛	12	12	-½
35383	Ivaco A f	$17⅛	16⅞	16⅞	+⅛
800	Ivaco B	$17	17	17	
18087	Jannock	$21⅞	21⅜	21⅜	-⅛
3600	Kerr Add	$26⅛	25¾	25¾	-⅜
500	Kiena Gld	$19¾	19½	19½	-¼
129085	Labatt	$28⅜	27¾	27⅞	-½
31473	LL Lac	$42⅞	42	42⅝	+¼
14400	Lacana	$18	17¾	18	
35922	Laidlaw A	$21¾	21⅝	21¾	
191465	Laidlw B f	$20⅝	20⅜	20⅜	-⅛
11700	Leigh Inst	$5⅜	5⅛	5⅜	+⅛
12750	Loblaw Co	$15⅜	15⅛	15⅜	-⅛
2550	Lumonics	$11⅜	11⅛	11¼	
6100	MICC	$16¾	16¾	16¾	-⅜
1800	MSR Ex	400	395	400	+15
26940	Mclan H X	$20¾	20⅝	20¾	
300	Mcln HY f	$18¾	18¾	18¾	+½
128030	Macmillan	$27⅞	27⅛	27¾	
92530	Magna A f	$26⅛	25½	25½	-⅜
7875	Maritime f	$16	15¾	15⅞	+⅛
1600	Mc Intyre	$47	46½	46½	-½
51500	Minrl Res	440	430	435	
46500	Mitel Corp	$6½	6¼	6⅜	-⅛
850	Moffat	$16⅛	16⅛	16⅛	
40584	Molson A f	$26	25¾	25¾	-⅛
500	Molson B	$25¾	25¾	25¾	+½
1000	Moneca A f	$5	5	5	-⅛
500	MCity Bk	$18	18	18	
12500	M Trusco	$14⅞	14¾	14¾	
214505	Moore	$34⅜	34	34⅜	+⅛
2300	Murphy	$31	31	31	
63335	Nat Bk Can	$15⅛	14⅝	14⅞	
500	Nt Vg Trco	$24⅛	24	24	
550	Nfl CapA f	$11⅝	11⅜	11⅜	-¼
8343	Nfld LP A	$20¼	19¾	20	-¼
182642	Noranda	$32⅞	32¼	32⅞	+¼
13168	Norcen	$28⅛	27⅝	27⅞	-¼
13215	Norcn ord f	$25	24½	25	-¼
427912	NC Oils	$18	17⅞	17⅞	-⅜
218272	Nor Tel	$30¾	30⅜	30⅜	-⅜
9334	Northgat	$12	11⅝	11⅝	-⅜
321907	Nva AltA f	$10⅛	9⅞	9⅞	-⅛
75768	Nowsco W	$21½	21¼	21¼	-¼
22657	Nu West	37	36	37	
10350	Numac	$10¾	10¾	10¾	-¼
8000	Oakwood	315	305	305	-5
28257	Oakwd A f	190	175	190	+8
1600	Ocelot B f	$5⅝	5¼	5¼	
4200	Omega Hyd	$8⅞	8¾	8⅞	+¼
54170	Oshawa A f	$22⅞	22⅛	22⅜	
80904	PacW Airl	$25½	25⅛	25⅛	-¼
23200	Pgurin A f	$13⅞	13¼	13½	-½
400	Pamour	$15½	15¼	15½	+¼
16020	PanCan P	$36	35⅝	36	
95598	Pegasus	$27¾	27⅛	27¼	-¼
40800	PJewl A f	$12½	12½	12½	-⅜
1100	Pine Point	$15	15	15	
384725	Placer D	$21⅞	21½	21⅞	+¼
10450	Poco Pet	$17½	17	17⅛	-½
84875	Powr Cor f	$17	16¾	17	+⅛
500	Precamb	370	370	370	+5
14400	Provigo	$13	12¾	13	+⅛
15100	Que Sturg	$7⅝	7⅜	7½	+¼
1080	Que Tel	$14⅜	14⅜	14⅜	-⅛
74575	Ranger	$8¼	8	8⅛	
15480	Rayrock f	$12⅞	12¼	12½	+¼
7200	Redpath	$14	13¾	13¾	-⅛
5824	Regionl R	380	360	360	+25
6604	Rio Algom	$23½	23	23⅛	-⅛
400	Rogers A	$24¼	23¾	23¾	-1
19921	Rogers B f	$23⅞	23⅜	23⅜	-⅜
600	Roman	$17½	17½	17½	+¼
1340	Rothman	$36¾	36½	36¾	
346255	Royal Bnk	$36	35¼	36	+¼
27258	RyTrco A	$17¾	17⅜	17⅜	-⅜
28402	Royex	$5⅛	495	5	-⅛
32832	SHL Syst	$23⅜	22¾	23⅛	-⅜
2650	StL CemA f	$26¾	26¼	26½	-½
15054	Sceptre	490	475	485	-5
200	Scot Paper	$20¾	20¾	20¾	
32130	Scotts f	$13⅛	12⅝	12⅞	-¼
37900	Scotts C	$13⅞	13½	13½	-⅜
73389	Seagram	$104⅝	103⅞	104⅜	-⅜
36565	Sears Can	$12¼	12	12¼	
81689	Shell Can	$49¾	49¼	49¼	-⅝
4110	Sherritt	$6⅛	6⅛	6⅛	
9100	Southm	$23¾	23¼	23¼	-⅛
21444	Spar Aero f	$21¾	21½	21½	-¼
5050	Steinbg A f	$36	35	35	-1
53627	Stelco A	$26⅞	26¼	26⅞	-¼
42324	Teck B f	$34	33	33¼	-1¼
20690	Terra Mn	248	241	241	
39308	Texaco Can	$40⅛	39¾	40	-⅛
66535	Thom N A	$34¼	33¾	34¼	+½
161956	Tor Dm Bk	$31⅞	31	31⅛	+⅛
281	Tor Sun	$20¾	20¾	20¾	-¼
3557	Torstar B f	$31⅜	30⅞	30⅞	-⅜
16300	Total Pet	$27⅝	27	27⅛	-⅜
63879	Traders A f	$67	65½	66½	+½
3250	Trns Mt	$16⅛	16	16	
35364	TrnAlta UA	$29⅝	29⅜	29⅝	+⅜
72607	TrCan PL	$18⅞	18¾	18⅞	+⅛
136087	Trilon A	$22¼	22	22¼	+⅛
22822	Trimac	$5⅝	5½	5¾	
50120	Trizec A f	$32¾	32½	32½	-½
1420	Trizec B	$34	34	34	
44679	Ulster P	299	295	299	+8
2050	Un Carbid	$17⅞	17¾	17¾	
35851	U Emprise	$11	10¾	11	+⅛
10110	U Canso	134	127	134	+9
1376	Un Corp	$53	53	53	-1
44300	Verstl A f	70	65	67	-3
69200	Verstl B	55	53	54	+1
7000	Vestgron	100	100	100	
7200	Vulcan Ind	300	292	300	+3
500	Wajax A	$14¾	14¾	14¾	
150426	Wcoast T	$19	18⅝	19	+⅜
26575	Westmin	$14⅛	13¾	13¾	-¼
5480	Weston	$43¼	43	43	
124667	Woodwd A	$6	5⅞	5⅞	+⅛

f – No voting rights or restricted voting rights.

MONTREAL
Closing prices July 10

Sales	Stock	High	Low	Close	Chng
48261	Bank Mont	$35	34½	35	
52985	BombrdrA	$11½	11	11	-⅜
147662	BombrdrB	$11⅝	11⅛	11⅝	-¼
100	CB Pak	$22⅞	22⅞	22⅞	+⅛
30896	Cascades	$12⅞	12¾	12⅞	
700	CIL	$32¼	32⅛	32⅛	
68500	ConBath	$19⅜	19⅛	19¼	-⅛
1754	DomTxtA	$20⅜	20¼	20¼	
1750	MntTrst	$15	14⅞	14⅞	+⅛
189657	NatBk Cda	$15¼	14⅝	14⅞	-⅛
8620	Noverco	$12½	12¼	12½	+⅛
85895	Power Corp	$17	16¾	17	
74190	Provigo	$13	12½	13	+¼
2600	RollandA	$15⅞	15¾	15⅞	+⅜
114838	RollandB	$36	35¼	35⅞	+⅛
2500	SteinbrgA	$36⅜	34¾	34¾	-1½
4975	Video Tron	$15⅞	15⅝	15⅞	

Total Sales 6,667,401 shares

OVER-THE-COUNTER *Nasdaq national market, Closing prices July 10*

Continued from Page 31

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

Indices

NEW YORK

DOW JONES

	July 10	July 9	July 8	July 7	1987 High	1987 Low	Since compilation High	Since compilation Low
♦Industrials	2455.99	2451.21	2463.97	2449.78	2463.97 (8/7)	1927.31 (2/1)	2463.97 (8/7/87)	41.22 (2/7/32)
Home Bonds	—	88.91	88.90	89.11	95.51 (9/2)	87.07 (22/5)	(—)	(—)
Transport	1035.56	1031.61	1032.93	1030.16	1038.25 (25/6)	816.38 (2/1)	1038.25 (25/6/87)	12.32 (8/7/32)
Utilities	206.36	205.84	206.24	205.49	227.83 (22/1)	191.39 (20/5)	227.83 (22/1/87)	10.5 (8/4/32)

♦Day's High 2470.50 (2478.48) Low 2435.91 (2441.17)

STANDARD AND POOR'S

	July 10	July 9	July 8	July 7	1987 High	1987 Low	Since compilation High	Since compilation Low
Composite‡	308.37	307.52	308.29	307.40	309.65 (22/6)	246.45 (2/1)	309.65 (22/6/87)	4.40 (1/6/32)
Industrials	360.66	358.91	359.75	358.75	360.66 (10/7)	274.58 (2/1)	360.66 (10/7/87)	3.62 (21/6/32)
Financials	29.37	29.23	29.40	29.46	31.51 (6/3)	25.97 (29/5)	31.51 (6/3/87)	8.64 (1/10/74)
NYSE Composite	173.57	173.15	173.42	172.89	179.77 (22/6)	141.01 (2/1)	173.77 (22/6/87)	4.46 (25/4/42)
Amex Mkt. value	347.00	346.79	346.57	344.45	347.00 (10/7)	267.49 (2/1)	347.00 (10/7/87)	29.31 (9/12/72)
NASDAQ OTC Comp	426.00	425.58	424.93	424.55	439.64 (20/3)	353.26 (2/1)	439.64 (20/3/87)	54.87 (3/10/72)

	June 26	June 19	June 12	year ago (approx.)
Dow Industrial Div. Yield	2.82	2.81	2.83	3.59
	July 9	July 2	June 24	year ago (approx.)
S and P Industrial Div. Yield	2.84	2.40	2.49	3.00
S and P P/E ratio	20.42	23.20	23.46	17.82

TRADING ACTIVITY

† Volume Millions	July 10	July 9	July 8
New York	172.130	196.108	206.695
Amex	12.182	12.070	13.780
OTC	—	153.097	194.851

NEW YORK	July 10	July 9	July 8
Issues Traded	1,967	1,980	1,962
Rises	848	822	814
Falls	654	741	718
Unchanged	465	417	430
New Highs	—	126	125
New Lows	—	21	15

CANADA

TORONTO

	July 10	July 9	July 8	July 7	1987 High	1987 Low
Metals & Minerals	3092.1	3105.2	3095.7	3106.49	3106.49 (7/7)	1988.2 (2/1)
Composite	3925.1	3932.5	3936.90	3884.6	3936.90 (8/7)	3067.8 (2/1)
MONTREAL Portfolio	1993.46	1992.55	1997.41	1979.48	1997.41 (8/7)	1534.3 (2/1)

	July 10	July 9	July 8	July 7	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1915.3	1898.6	1883.5	1862.8	1915.3 (10/7)	1486.7 (2/2)
Metals & Mins (1/1/80)	1193.6	1184.6	1165.6	1152.0	1287.5 (18/5)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	185.87	185.01	184.99	184.83	230.60 (2/1)	182.21 (19/6)
BELGIUM						
Brussels SE (1/1/80)	5034.29	5050.76	5034.70	5006.06	5050.76 (9/7)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	205.74	204.76	205.68	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	580.3	584.6	584.3	582.2	584.6 (9/7)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	(u)	420.30	421.80	418.60	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	106.80	105.80	107.40	108.90	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	624.23	623.41	626.71	621.93	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	1893.4	1888.90	1903.70	1886.40	2048.3 (6/1)	1633.8 (19/3)
HONG KONG						
HangSeng Bank (31/7/64)	3207.21	3225.97	3251.38	3236.41	3251.38 (8/7)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	677.76	674.31	674.39	669.97	767.34 (30/4)	673.60 (3/3)
JAPAN**						
Nikkei (16/5/49)	24102.99	23755.90	23472.42	23816.09	25929.42 (17/6)	18544.0 (13/1)
Tokyo SE New (4/1/68)	2007.74	1983.34	1961.03	1993.27	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	311.20	311.60	313.60	313.60	313.60 (7/7)	257.7 (28/1)
ANP CBS Indust. (1970)	262.00	263.20	265.60	265.00	274.9 (5/1)	243.60 (11/6)
NORWAY						
Oslo SE (4/1/83)	445.24	445.27	443.61	437.71	445.27 (9/7)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1371.21	1348.52	1333.44	1332.43	1371.21 (10/7)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	2144.0	2077.0	2086.0	2308.0 (27/4)	1786.0 (19/3)
JSE Indust (28/9/78)	(u)	2000.6	1969.0	1954.0	2000.6 (10/7)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	256.70	257.78	254.55	250.33	257.78 (9/7)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	2811.10	2808.50	2781.80	2754.20	2811.10 (10/7)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Cp. (31/12/58)	629.8	626.0	622.1	619.1	629.8 (10/7)	564.5 (25/2)
WORLD						
M.S.Capital Intl. (1/1/70)	(u)	456.4	453.9	456.1	480.30 (12/6)	361.3 (2/1)

**Saturday July 4: Nikkei Index 24,158.52.

Base values of all Indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia, All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
CenteriorEng	8,118,000	17⅛	-⅛
Banctexas	6,825,000	⅛	-1/64
ATT	5,498,500	29⅝	+⅛
Puget Sou	2,871,400	20	+⅛
Banco Central	2,868,100	19⅛	+⅛
MCA	2,809,000	52⅛	+4⅞
Phil Va Hev	2,192,800	24⅝	+5⅛
Gillette	2,000,700	41⅞	+1⅞
Banctex (w.i.)	1,746,300	⅛	(—)
Navistar	1,654,100	7⅞	+⅛

Closing prices, July 10

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20⅛	AAR s	.50	1.5	23	77	33¾	33¼	33½	−⅛
37	21⅞	ADT	.92	2.9	18	225	31½	31⅛	31½	
27¾	16¾	AFG s	.16	.6	12	196	26⅝	26	26⅜	+¼
22⅜	8⅝	AGS s			17	227	16½	16	16⅜	−⅛
11⅞	6¾	AMCA				6	8⅜	8⅜	8⅜	
9⅜	4⅞	AM Intl				583	7⅜	7⅛	7⅛	−⅜
62⅞	47¼	AMR			12	6505	58¾	56¾	58⅜	+1½
27½	24⅞	ANR pf 2.67		10.		1	26½	26½	26½	−¼
25	21½	ANR pf 2.12		9.2		2	23	23	23	
11¾	8	ARX s			12	100	10¼	10¼	10¼	
73½	28¾	ASA	2a	3.3		622	61⅝	60¾	61	
20	9¾	AVX		1.9	65	57	17	16⅞	17	
67	41	AbtLab	1	1.6	26	2508	62⅞	62	62	−⅝
26	25⅝	Abitibi g				15	26	25¾	26	+⅜
28¾	16⅝	AccoWs .44		1.5	26	1384	28⅝	28½	28⅝	+⅛
15⅛	9	AcmeC .40		2.7	10	361	14⅝	13⅞	14⅝	+¾
23⅞	19	AdaEx 3.42e		15.		55	22⅜	22	22⅛	−⅛
19½	11⅜	AdmM s .24		1.5	12	214	16	15¼	15½	−¼
25⅛	12⅛	AdvSys.62t		2.7	16	535	23¼	22	22¾	−¼
24½	12⅞	AMD				3235	18½	18	18¼	+⅛
54¾	47	AMD pf	3	6.3		335	47¾	47½	47¾	+½
10¾	5¼	Adobe				217	10⅛	10	10	
20½	13¼	Adob pf 1.84		9.5		10	19⅜	19⅜	19⅜	+⅛
21⅞	16⅝	Adob pf 2.40		11.		24	21⅝	21½	21½	+⅛
15⅝	10⅜	Advest .12a		1.0	9	80	12½	12⅜	12⅜	
68¼	53	AetnLf 2.76		4.7	9	z2508	58¾	58¼	58⅝	+⅛
97⅞	87¼	AetL pfC4.70e		4.8		725	u97½	97¼	97½	+⅜
84½	26½	AflPb s .32		.5	32	987	62¼	61½	62¼	+¼
28¾	16⅝	Ahmans.88		4.2	6	1695	20⅞	20⅝	20⅞	+¼
5⅜	2⅞	Aileen				117	4	3⅞	3⅞	
50¼	29⅛	AirPrd	1	2.0	272	772	49	48½	49	+½
36	16	AirbFrt .60		2.1	11	2287	29⅜	28⅜	29¼	+1
15	7⅜	Airgas n			23	34	13⅞	13⅝	13⅞	
20⅜	16¼	AirIse n1.57e		8.9		55	17¾	17¼	17⅝	+¼
15-32	¼	AlMoan				5	⅜	⅜	⅜	−1-32
28	25⅜	AlaP pf1.81e		6.8		32	26½	26½	26½	−¼
10¾	9	AlaP dpl.87		8.9		8	9¾	9⅝	9¾	
108	98	AlaP pf 9.44		9.3		z2000	101	101	101	
104	87	AlaP pf 8.16		9.0		z20	91	91	91	+2
98½	84¼	AlaP pf 8.28		9.6		z50	86	86	86	−½
27⅞	14¼	AlskAir .16		.7	15	720	21¾	21⅛	21¾	+¾
27½	13½	Alberto .24		1.0	31	28	24⅝	24¼	24¼	−¼
22⅜	13½	AlbCulA.24		1.2	25	309	20⅝	20⅛	20⅛	−¾
58½	40¼	Albtsns .96		1.7	18	538	58	56⅞	57⅝	+⅞
34⅜	18⅜	Alcan s .60		1.8	19	4601	33½	33⅜	33½	+¼
28¼	18½	AlcoS s			19	533	28¼	27¼	28⅛	+⅝
42⅞	22⅜	AlexAlx	1	3.9	31	1572	26⅛	25¾	25⅞	−⅛
50½	34½	Alexdr			73	122	47½	47½	47½	−¼
78	48½	AllegCp				278	77¼	76⅞	77	+½
24¾	11⅜	AlgInt				116	14⅝	14⅜	14½	−¼
20⅞	9½	Algin pr				26	16¾	15½	16¾	−⅛
88½	39	Algi pfC				14	75¼	74⅞	75	−¼
31	26	AlgLudn				234	u31½	31	31½	+¾
53⅞	36⅝	AlgPw2.92		7.4	10	905	39½	39⅜	39½	+¼
94½	48½	Allegis	1	1.1	31	7831	93	92	92⅝	+½
27	14½	AllenG .56		3.4		3344	16½	16¼	16½	+⅛
26	19⅝	Allen pf1.75		8.6		14	20⅜	20	20⅜	−⅛
45½	25½	AlldPd			8	42	27¼	27	27⅛	
49¼	36¾	AldSgnl.80		4.1	13	10392	43⅝	42⅝	43⅝	+1½
10½	6¼	AlldSup			85	564	10¼	10	10¼	+⅛
4¾	2	vjAllisC				702	2⅜	2	2⅛	
37½	16½	AllsC pf				60	20	19¾	20	+¼

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
81¼	48⅝	Xerox	3	3.9	18	4615	78⅝	75⅞	78½	−⅛
58¼	54¼	Xerox pf5.45		9.9		1836	55	54¼	55	
28¾	21½	XTRA	.64	2.3		74	27⅞	27⅝	27¾	+⅛
27¼	15	Yockin			17	330	26⅞	26¼	26⅜	−⅛
5½	2¼	Zapata				1056	5½	5⅜	5½	
42⅝	20¾	Zayre	.40	1.3	19	8895	31½	30⅞	31⅛	+⅛
29¾	18⅞	ZenithE				577	26⅞	26½	26⅞	+¼
15	8	ZenLab				402	10⅛	9⅞	10	
19½	12⅝	Zero	.36	2.2	17	75	16½	16¼	16⅜	−⅛
28½	16⅝	Zurnin s			19	346	28¼	27¾	27⅞	
10⅝	8¾	Zweig n.85e		8.7		1116	9⅞	9⅝	9¾	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, July 10

OVER-THE-COUNTER

Nasdaq national market, Closing prices, July 10

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CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

US trade deficit forecast to be little changed

BY COLIN MILLHAM

IMPACT FROM Wednesday's US trade figures for May is likely to be much less than appeared likely a few weeks ago, with most forecasters agreeing there will be little change from the April deficit of $13.3bn.

Predictions range from about $12.5bn to $14.5bn, but several have been adjusted recently, in the light of a shrinking Japanese trade surplus.

According to a survey by Money Market Services the May US deficit is expected to be $13.2bn. MMS itself is at the top of the range, at $14.4bn, and Nomura Research Institute has one of the lowest estimates at $12.5bn. Citibank recently revised down its figure to $13.8bn from $14bn. London stockbrokers, James Capel, expect $13bn, while merchant bank, Morgan Grenfell, has revised its forecast up to $13.1bn from $12.7bn.

As the forecasts came together at the end of last week it was generally agreed there was unlikely to be much impact on the dollar, unless the deficit is over $14bn.

The dollar's trend is expected to continue upwards in the short term, but will be limited by the commitment of central banks to exchange rate stabilisation.

It is assumed that the meetings of ministers from the leading economic nations, in Paris in February and Venice in June, resulted in exchange rate targets, giving a top for the dollar of about Y155 and DM 1.85.

The US currency has not quite reached these levels, but on last week's trend will do so very soon, although much of the optimism is based on the fall in Japan's trade surplus in June, while Wednesday's US trade figures are for May.

In June Japan's seasonally adjusted trade surplus fell to $5.51bn, from $6.44bn in May. Over the same period Japan's unadjusted surplus with the US decreased to $4.01bn from $4.43bn.

If the forecast of a May US deficit of around $13bn proves correct this will not change the monthly average so far this year. This remains too high to sunstain the dollar's advance, and in the second half of the year the situation is expected to deteriorate.

Morgan Grenfell suggests the prospects for the June US trade figures will be helped by a one off change in the method of calculation for the US trade deficit with Canada. In the past Canadian figures have suggested the deficit is lower than US estimates, and starting from the June figures Washington will take the Canadian calculations.

Morgan Grenfell estimates this could lead to a reduction of about £1bn in the June deficit.

During the second half of the year the deficit is expected to widen however. Nomura says the fundamental position for the dollar is still weak and forecasts a dollar rate of Y150 in September, falling to Y140 by the end of the year, and continuing to decline in 1988 to around Y130 by December.

Trade protectionism is seen as an uncertain factor for currency market direction, and Nomura says trade legislation to be discussed in the US Congress this month may lead to a resumption of "dollar talk-down."

US officials have talked the dollar up recently, ahead of the US Treasury refunding auctions in early August, where it is hoped there will be good Japanese demand for bonds. Nomura expects Japanese investors to remain attracted to US assets until the dollar moves in a weaker direction.

£ IN NEW YORK

July 10	Close	Previous Close
£ Spot	1.6125-1.6135	1.6175-1.6185
1 month	0.30-0.29 pm	0.31-0.30 pm
3 months	0.87-0.85 pm	0.86-0.84 pm
12 months	2.83-2.75 pm	2.75-2.65 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	July 10	Previous
8.30 am	72.9	73.0
9.00 am	72.9	73.0
10.00 am	72.8	73.0
11.00 am	72.7	73.0
Noon	72.9	72.9
1.00 pm	72.9	72.8
2.00 pm	72.8	72.9
3.00 pm	72.9	72.9
4.00 pm	72.9	73.0

CURRENCY RATES

July 10	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.78790	0.699767
U.S. Dollar	5.5	1.26??	1.12593
Canadian $	7.90	*	1.48791
Austrian Sch.	4	N/A	14.5796
Belgian Franc	7½	*	43.0430
Danish Krone	7	*	7.87697
Deutsche Mark	3.0	2.3402	2.07486
Neth. Guilder	4½	N/A	2.33630
French Franc	9½	7.7963	6.91600
Italian Lira	11.5	N/A	1503.17
Japanese Yen	2½	191.04	170.015
Norway Krone	8	N/A	7.58986
Spanish Peseta	—	*	143.274
Swedish Krona	7½	*	7.25598
Swiss Franc	3.5	*	1.73224
Greek Drach.	20½	*	155.918
Irish Punt	—	*	0.774364

*CS/SDR rate for July 9: 1.68599

CURRENCY MOVEMENTS

July 10	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.9	-20.6
U.S. Dollar	103.2	-4.1
Canadian Dollar	78.9	-9.7
Austrian Schilling	137.7	+10.2
Belgian Franc	99.8	-4.6
Danish Krone	92.0	+2.4
Deutsche Mark	146.8	+21.5
Swiss Franc	171.4	+21.7
Guilder	134.7	+14.3
French Franc	71.6	-12.8
Lira	47.1	-18.4
Yen	213.0	+58.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

July 10	£	$
Argentina	2.4764-2.9840	1.8470-1.8510
Australia	2.2665-2.2715	1.4105-1.4120
Brazil	71.3610-71.7480	44.2110-44.4320
Finland	7.1980-7.2105	4.4690-4.4710
Greece	221.17-225.12	137.24-139.60
Hong Kong	12.5885-12.6070	7.8070-7.8080
Iran	116.80*	72.00*
Korea (Sth)	1300.95-1312.75	804.40-811.00
Kuwait	0.45720-0.45840	0.28350-0.28360
Luxembourg	61.70-61.80	38.20-38.30
Malaysia	4.0765-4.1000	2.5385-2.5400
Mexico	2198.95-2218.10	1362.00-1373.00
N. Zealand	2.6805-2.6855	1.6640-1.6660
Saudi Ar.	6.0480-6.0535	3.7495-3.7500
Singapore	3.4225-3.4290	2.1225-2.1235
S. Af. (Cm)	3.3085-3.3210	2.0535-2.0575
S. Af. (Fn)	5.2455-5.4220	3.2520-3.3615
Taiwan	50.20-50.45	31.05-31.15
U.A.E.	5.9235-5.9290	3.6725-3.6735

*Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6140	1.6110	1.6054	1.5973	1.5858
D-mark	2.9775	2.9639	2.9375	2.9001	2.8311
French Fr.	9.9225	9.9120	9.8991	9.8787	9.8731
Swiss Fr.	2.4875	2.4758	2.4542	2.4222	2.3616
Yen	243.25	242.12	240.09	237.03	231.47

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0430	+1.38	+0.93	±1.5344
Danish Krone	7.85212	7.87697	+0.32	-0.13	±1.6404
German D-Mark	2.05853	2.07486	+0.79	+0.34	±1.0981
French Franc	6.90403	6.91600	+0.17	-0.28	±1.3674
Dutch Guilder	2.31943	2.33630	+0.73	+0.28	±1.5012
Irish Punt	0.768411	0.774364	+0.77	+0.32	±1.6684
Italian Lira	1483.58	1503.17	+1.32	+1.25	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 10	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.614	2.978	243.3	9.923	2.488	3.353	2158.	2.134	61.75
$	0.620	1.	1.845	150.7	6.148	1.541	2.077	1337.	1.322	38.25
DM	0.336	0.542	1.	81.70	3.332	0.835	1.126	724.8	0.717	20.74
YEN	4.111	6.635	12.24	1000.	40.79	10.23	13.78	8872.	8.771	253.9
F Fr.	1.008	1.627	3.001	245.1	10.	2.507	3.379	2175.	2.150	62.23
S Fr.	0.402	0.649	1.197	97.79	3.989	1.	1.348	867.5	0.858	24.82
H Fl.	0.298	0.481	0.888	72.56	2.960	0.742	1.	643.7	0.636	18.42
Lira	0.463	0.748	1.380	112.7	4.598	1.153	1.554	1000.	0.989	28.61
C $	0.469	0.757	1.396	114.0	4.651	1.166	1.571	1011.	1.	28.94
B Fr.	1.619	2.614	4.822	393.9	16.07	4.028	5.429	3495.	3.455	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

July 10	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years 7⅞-8 per cent; three years 8⅛-8⅜ per cent; four years 8⅜-8⅝ per cent; five years 8⅝-8⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT—FORWARD AGAINST THE POUND

July 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6045-1.6175	1.6135-1.6145	0.32-0.29c pm	2.27	0.89-0.84 pm	2.15
Canada	2.1285-2.1345	2.1330-2.1340	0.14-0.04c pm	0.51	0.33-0.21 pm	0.51
Netherlands	3.34½-3.35¾	3.34½-3.35½	1¼-1c pm	3.80	3⅜-3⅛ pm	3.80
Belgium	61.55-61.80	61.70-61.80	16-13c pm	2.82	43-38 pm	2.62
Denmark	11.26¾-11.30¾	11.29¼-11.30¼	¾-¼ore dis	-0.46	2-2¾ dis	-0.84
Ireland	1.1050-1.1120	1.1070-1.1080	0.02-0.11p dis	-0.70	0.07-0.31 dis	-0.69
W. Germany	2.96½-2.98½	2.97¼-2.98¼	1¾-1⅛pf pm	5.29	4⅛-3⅞ pm	5.37
Portugal	230.70-233.30	232.34-233.30	87-153c dis	-6.19	309-392 dis	-6.02
Spain	204.92-205.36	205.08-205.36	106-148c dis	-7.43	280-347 dis	-6.11
Italy	2149½-2159½	2157½-2158½	Par-3 lire dis	-0.83	2-8 dis	-0.93
Norway	10.85½-10.89½	10.87¼-10.88¼	4⅞-4⅜ore dis	-5.03	13⅝-14⅝ dis	-5.01
France	9.89½-9.92½	9.91½-9.92½	1¼-⅞c pm	1.28	2⅝-2⅜ pm	1.03
Sweden	10.34½-10.37¾	10.35¼-10.36¼	¼-¾ore dis	-0.07	⅞-1⅛ dis	-0.07
Japan	242½-243⅜	242¼-243¼	1¼-1y pm	5.55	3¼-3 pm	5.14
Austria	20.77-20.94	20.91-20.94	9⅞-6⅞gro pm	5.02	26½-24⅜ pm	4.89
Switzerland	2.47¼-2.49⅞	2.48¼-2.49¼	1¼-1⅛c pm	5.73	3⅜-3¼ pm	5.33

Belgian rate is for convertible francs. Financial franc 61.95-62.05. Six-month forward dollar 1.70-1.65c pm. 12-month 2.87-2.77c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6045-1.6175	1.6135-1.6145	0.32-0.29c pm	2.27	0.89-0.84 pm	2.15
Ireland†	1.4515-1.4545	1.4515-1.4525	0.29-0.24c pm	2.19	0.95-0.85c pm	2.48
Canada	1.3205-1.3225	1.3210-1.3220	0.18-0.21c dis	1.77	0.53-0.56 dis	1.65
Netherlands	2.0720-2.0790	2.0765-2.0775	1.00-0.97c pm	1.65	0.92-0.87 pm	1.73
Belgium	38.16-38.30	38.20-38.30	3cm-par	0.47	7-2 pm	0.47
Denmark	6.98½-7.00½	6.99¼-7.00¼	1.10-1.60ore dis	-2.49	4.35-4.85 dis	-2.58
W. Germany	1.8340-1.8465	1.8445-1.8455	0.51-0.48pf pm	3.22	1.52-1.47pm	3.24
Portugal	144¼-144¾	144¼-144¾	85-125c dis	-8.73	280-330 dis	8.45
Spain	127.00-127.35	127.10-127.20	80-130c dis	-9.91	240-290 dis	-8.34
Italy	1333-1338	1336½-1337½	2.80-3.80lire dis	-2.97	9.00-12.00dis	3.15
Norway	6.73½-6.74½	6.73½-6.74½	3.80-4.30ore dis	-7.21	11.90-12.40dis	7.21
France	6.13½-6.15	6.14½-6.15	0.50-0.60c dis	-1.07	1.65-1.80 dis	-1.12
Sweden	6.41½-6.42½	6.41½-6.42½	1.00-1.30ore dis	-2.35	3.20-3.60 dis	2.12
Japan	150.35-151.20	150.60-150.70	0.43-0.40y pm	3.30	1.18-1.13 pm	3.06
Austria	12.94½-12.95½	12.95-12.95½	3.20-2.80gro pm	2.78	9.25-8.25pm	2.70
Switzerland	1.5360-1.5420	1.5400-1.5410	0.46-0.41c pm	3.39	1.27-1.22 pm	3.24

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.35-38.45

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
118	5.47	6.29	0.07	0.63
120	3.62	5.01	0.22	1.35
122	2.31	3.50	0.55	2.20
124	1.22	2.49	1.46	3.19
126	0.39	1.62	2.63	4.32
128	0.16	1.22	4.40	5.56
130	0.06	0.59	6.30	7.29
132	0.02	0.38	8.26	9.08

Estimated volume total, Calls 1,171 Puts 1,237
Previous day's open int: Calls 27,626 Puts 16,783

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
84	7.60	7.27	0.02	0.29
86	6.02	5.51	0.08	0.53
88	4.17	4.23	0.23	1.25
90	2.48	3.10	0.54	2.12
92	1.28	2.12	1.34	3.14
94	0.44	1.29	2.50	4.31
96	0.17	0.59	4.23	5.61
98	0.06	0.35	6.12	7.37

Estimated volume total, Calls 112 Puts 205
Previous day's open int: Calls 1,572 Puts 603

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last July	Calls-Last Aug.	Puts-Last July	Puts-Last Aug.
23250	9.54	11.48	0.39	2.33
23500	7.41	9.75	0.76	3.10
23750	5.51	8.16	1.36	4.01
24000	3.90	6.75	2.25	5.10
24250	2.61	5.50	3.46	6.35
24500	1.65	4.42	5.00	7.77
24750	0.98	3.50	6.83	9.35
25000	0.54	2.73	8.89	11.08

Estimated volume total, Calls 5 Puts 14
Previous day's open int: Calls 116 Puts 121

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last July	Aug	Sept	Dec	Puts—Last July	Aug	Sept	Dec
1.45	—	—	16.29	16.29	—	—	0.01	0.29
1.50	11.29	11.29	11.29	11.29	0.00	0.01	0.08	0.87
1.55	6.29	6.29	6.29	6.99	0.00	0.22	0.56	2.10
1.60	1.29	2.40	2.89	3.94	0.00	1.45	2.20	4.05
1.65	0.00	0.54	0.94	2.01	3.71	4.59	5.25	7.12
1.70	0.00	0.06	0.21	0.90	8.71	9.11	9.52	11.01
1.75	0.00	0.00	0.03	0.35	13.71	14.05	14.34	15.46

Estimated volume total, Calls 0 Puts 0
Previous day's open int, Calls 606 Puts 1,744

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last July	Aug.	Sept.	Dec.	Puts—Last July	Aug.	Sept.	Dec.
1.35	—	—	13.90	13.90	—	—	1.60	2.75
1.40	—	—	17.70	17.90	—	—	1.05	2.10
1.45	—	—	12.70	12.90	—	—	1.50	2.70
1.50	12.40	12.40	12.40	12.50	0.20	0.20	0.30	1.05
1.55	7.40	7.40	7.45	8.00	0.20	0.40	0.80	2.00
1.60	0.90	2.50	3.70	4.90	0.35	1.50	2.10	3.955
1.65	0.20	0.55	1.50	2.75	4.300	4.60	4.90	6.70

Previous day's open int: Calls 2,224 Puts 301
Volume: 72

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last July	Aug.	Sept.	Dec.	Puts—Last July	Aug.	Sept.	Dec.
1.600	1.40	1.95	2.65	3.75	0.10	1.20	2.00	4.00
1.625	—	1.00	1.60	2.75	1.60	2.50	3.50	5.30
1.650	—	0.40	0.85	2.05	3.50	4.50	5.00	6.70
1.675	—	0.15	—	1.40	6.00	6.50	—	8.50
1.700	—	—	—	—	—	—	—	10.50
1.725	—	—	0.05	0.60	11.00	11.40	11.70	12.60
1.750	—	—	0.10	0.50	13.50	13.80	14.10	14.70

Previous day's open int: Calls — Puts —
Previous day's volume: Calls — Puts —

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Sept.	Dec.	Mar.	June	Puts—Last Sept.	Dec.	Mar.	June
91.25	1.58	1.33	1.24	—	0.00	0.04	0.17	—
91.50	1.33	1.11	1.05	—	0.00	0.07	0.23	—
91.75	1.08	0.90	0.86	—	0.00	0.11	0.29	—
92.00	0.84	0.70	0.70	—	0.01	0.16	0.38	—
92.25	0.61	0.53	0.55	—	0.03	0.24	0.48	—
92.50	0.41	0.38	0.42	—	0.08	0.34	0.60	—
92.75	0.23	0.26	0.31	—	0.15	0.47	0.74	—

Previous day's open int: Calls 1,954 Puts 2,032
Estimated volume, Calls 100 Puts 150

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	123-20	123-20	122-25	123-19
Dec.	123-15	—	—	123-14

Estimated volume 24,917 (12,097)
Previous day's open int. 29,999 (29,834)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
June	—	—	—	—

Estimated Volume 0 (0)
Previous day's open int. 0 (0)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Sept.	90.75	90.78	90.69	90.80
Dec.	90.76	90.76	90.68	90.79
Mar.	90.74	90.73	90.65	90.73
June	90.65	90.65	90.58	90.64
Sept.	90.58	90.56	90.56	90.53
Dec.	90.33	—	—	90.31

Estimated Volume 5,504 (2,609)
Previous day's open int. 13,025 (13,263)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Sept.	241.65	242.00	240.00	239.80
Dec.	246.15	—	—	244.30

Estimated volume 1,666 (1,178)
Previous day's open int. 6,017 (6,014)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Sept.	92.83	92.85	92.74	92.78
Dec.	92.54	92.56	92.43	92.50
March	92.32	92.35	92.26	92.28
June	92.11	92.10	92.06	92.07
Sept.	91.91	91.89	91.87	91.87
Dec.	91.71	91.69	91.69	91.67
Mar.	91.52	91.50	91.50	91.48
June	91.35	91.33	91.33	91.31

Estimated volume 5,260 (5,664)
Previous day's open int. 27,964 (27,538)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	91.29	92.04	91.15	91.29
Dec.	90.31	—	—	90.31

Estimated Volume 6,334 (4,234
Previous day's open int. 4,689 (4,394)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	92-09	92-12	91-12	91-16
Dec.	91-09	91-12	90-13	90-16
Mar.	90-11	90-13	89-27	89-19
June	89-16	—	—	88-24
Sept.	88-23	88-23	88-07	87-31
Dec.	88-00	88-00	87-24	87-08
Mar.	87-10	87-10	87-03	86-19
June	86-21	—	—	85-31
Sept.	86-02	—	—	85-13
Dec.	85-17	85-17	85-10	84-28
Mar.	85-02	85-02	84-13	84-13

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Sept.	94.20	94.22	94.09	94.13
Dec.	93.95	93.97	93.85	93.86
Mar.	93.74	93.76	93.66	93.66
Jun.	93.52	93.52	93.48	93.46

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6536	0.6545	0.6522	0.6561
Dec.	0.6595	0.6600	0.6577	0.6622
Mar.	0.6660	—	0.6650	0.6695
June	—	—	—	—

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sept.	0.6679	0.6686	0.6652	0.6701
Dec.	0.6735	0.6736	0.6703	0.6752
Mar.	—	—	—	—
June	—	—	—	—

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Sept.	0.5455	0.5463	0.5450	0.5467
Dec.	0.5500	0.5505	0.5494	0.5516
Mar.	—	—	—	0.5565

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Sept.	92.90	92.93	92.75	92.76
Dec.	92.60	92.63	92.45	92.46
Mar.	92.37	92.39	92.23	92.25
June	92.15	92.17	92.02	92.05
Sept.	91.95	91.97	91.82	91.86
Dec.	91.76	91.78	91.62	91.67
Mar.	91.56	91.58	91.42	91.47
June	91.37	91.38	91.25	91.28

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sept.	308.45	309.90	307.80	310.10
Dec.	310.75	312.25	310.30	—
Mar.	—	314.50	312.50	—
June	—	316.60	315.10	316.60

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6140	1.6110	1.6054	1.5973	1.5858

IMM—STERLING $s per £

	Close	High	Low	Prev
Sept.	1.6080	1.6100	1.6005	1.6125
Dec.	1.6000	1.6025	1.5905	1.6045
Mar.	1.5960	1.5985	1.5900	1.6005
June	—	—	—	—

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept.	1.6069	1.6075	1.6006	1.6115
Dec.	1.5989	—	—	1.6041
Mar.	1.5924	—	—	1.5980

Estimated volume 21 (10)
Previous day's open int. 837 (837)

MONEY MARKETS

Retail prices encourage sentiment

INTEREST RATES eased slightly in London at the end of last week, after a fairly steady performance by the pound.

Increased demand for the dollar, and disappointment that higher oil prices failed to push the pound up to DM 3.00, led to bouts of nervous selling of the pound, but the most important statistic of the week, the June UK retail prices index on Friday, was better than expected.

County NatWest Gilt-Edged Securities forecast a rise in year-on-year inflation to 4.4 per cent from 4.1 per cent in May. James Capel agreed with this. General expectations were for a rise to at least 4.3 per cent, and the rate of only 4.2 per cent was therefore encouraging for sterling and London's financial markets.

UK clearing bank base lending rate 9 per cent since May 8

A peak of 4.6 per cent in the inflation rate has been forecast for July.

Assuming a cut in the mortgage rate in August, lower seasonal food prices, including the impact of a good grain harvest, County NatWest and James Capel predict a fall in the annual inflation rate to 3.5 per cent by the end of the year.

Gilts recovered part of their early losses on the RPI, and finished only slightly weaker on Friday, in spite of further taplets. Three-month interbank was offered at 9⅛ per cent, compared with 9$\frac{3}{16}$ per cent on Thursday, encouraged by the inflation news.

This Thursday sees publication of the June UK public sector borrowing requirement. Forecasts for the PSBR vary quite widely. Greenwell Montagu forecasts a PSBR of £600m, but a repayment is widely expected, partly because of the privatisation of British Gas.

Morgan Grenfell expects a repayment of £200m; County NatWest is forecasting £600m; while Nomura looks for a surplus of £1.2bn; and James Capel expects £1.5bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 10) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 ⅞	offer 7	bid 7 $\frac{1}{16}$	offer 7 $\frac{3}{16}$

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	July 10	July 3		July 10	July 3
Bills on offer	£400m	£400m	Top accepted rate of discount	8.8041%	8.8442%
Total of applications	£1,541m	£1,635m	Average rate of discount	8.7974%	8.8242%
Total allocated	£400m	£400m	Average yield	8.99%	9.02%
Minimum accepted bid	£97 805	£97.795	Amount on offer at next tender	£400m	£400m
Allotment at minimum level	87%	40%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	July 10	change		July 3	change
LONDON			NEW YORK		
Base rates	9	Unch'd	Prime rates	8¼	Unch'd
7 day Interbank	8$\frac{11}{16}$	-⅛	Federal Funds	6⅝	Unch'd
3-month Interbank	9$\frac{3}{16}$	-$\frac{1}{16}$	3 Mth. Treasury Bills	5.78	-0.05
Treasury Bill Tender	8.7974	-0.0268	6 Mth. Treasury Bills	5.71	-0.31
Band 1 Bills	8⅞	Unch'd	3 Mth. C D	6.73	-0.12
Band 2 Bills	8⅞	Unch'd	FRANKFURT		
Band 3 Bills	8⅞	Unch'd	Lombard	5.0	Unch'd
Band 4 Bills	8⅞	Unch'd	One mth. Interbank	3.70	Unch'd
3 Mth. Treasury Bill	8$\frac{13}{16}$	-$\frac{1}{16}$	Three month	3.70	Unch'd
1 Mth. Bank Bills	8$\frac{13}{16}$	-$\frac{1}{32}$	PARIS		
3 Mth. Bank Bills	8$\frac{13}{16}$	-$\frac{1}{16}$	Intervention Rate	7½	Unch'd
TOKYO			One mth. Interbank	7⅞	-$\frac{1}{16}$
One month Bills	3.53125	Unch'd	Three month	7⅞	-$\frac{1}{16}$
Three month Bills	3.71875	+0.0625	MILAN		
BRUSSELS			One month	10⅞	-$\frac{3}{8}$
One month	6$\frac{7}{16}$	-$\frac{3}{16}$	Three month	11	-$\frac{3}{8}$
Three month	6$\frac{9}{16}$	-⅛	DUBLIN		
AMSTERDAM			One month	9⅝	-$\frac{11}{16}$
One month	5¼	+$\frac{3}{16}$	Three month	9$\frac{13}{16}$	-⅝
Three month	5¼	Unch'd			

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	8¼	One month	5.09	Three year	7.61
Broker loan rate	8	Two month	5.32	Four year	7.82
Fed. funds	6⅝	Three month	5.79	Five year	7.93
Fed funds at intervention	6¼	Six month	5.75	Seven year	8.15
		One year	5.59	10 year	8.35
		Two year	7.34	30 year	8.49

July 10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.45-3.55	3.65-3.75	3.65-3.75	3.65-3.75	3.70-3.85	5.0
Paris	7½-7⅝	7⅝-7¾	7¾-7⅞	7$\frac{13}{16}$-7$\frac{15}{16}$	8$\frac{1}{16}$-8$\frac{3}{16}$	7½
Zurich	⅞-1⅛	3¼-3⅜	—	3½-3¾	—	—
Amsterdam	4¾-5	5$\frac{3}{16}$-5$\frac{5}{16}$	—	5$\frac{3}{16}$-5$\frac{5}{16}$	—	—
Tokyo	3.09375	3.53125	—	3.71875	—	—
Milan	10¼-10⅝	10¼-10⅝	—	10¾-11⅛	—	—
Brussels	7.20	6¼-6½	—	6½-6⅝	—	—
Dublin	8¼-8¾	9$\frac{11}{16}$-9$\frac{13}{16}$	9⅝-9⅞	9$\frac{11}{16}$-9$\frac{13}{16}$	9⅞-10⅛	—

LONDON MONEY RATES

July 10	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	8¼-3	8⅞-8½	9$\frac{1}{16}$-8⅞	9⅛-8$\frac{13}{16}$	9$\frac{3}{16}$-9$\frac{1}{16}$	9$\frac{3}{16}$-9$\frac{5}{16}$
Sterling CDs	—	—	8$\frac{13}{16}$-8¾	9$\frac{1}{16}$-8$\frac{13}{16}$	9$\frac{3}{16}$-9	9$\frac{3}{16}$-9¼
Local Auth'rity Deps.	8	8½	8⅞	9	9⅛	9¼
Local Authority Bonds	—	—	9¼	9¼	9$\frac{5}{16}$	9$\frac{7}{16}$
Discount Mkt Deps.	8½-4	8½	8¾	8½	—	—
Company Deposits	—	—	9$\frac{1}{16}$	9$\frac{3}{16}$	9⅛	9$\frac{7}{16}$
Finance House Deposits	—	—	9	9$\frac{3}{16}$	9¼	9⅜
Treasury Bills (Buy)	—	—	8$\frac{13}{16}$	8$\frac{13}{16}$	—	—
Bank Bills (Buy)	—	—	8$\frac{13}{16}$	8$\frac{13}{16}$	8$\frac{13}{16}$	—
Fine Trade Bills (Buy)	—	—	9½	9½	9½	—
Dollar CDs	—	—	6.8-6.75	6.85-6.80	7.00-6.95	7.45-7.40
SDR Linked Deposits	—	—	6-5¼	6$\frac{3}{16}$-5$\frac{13}{16}$	6$\frac{3}{16}$-6$\frac{1}{16}$	6$\frac{3}{16}$-6$\frac{5}{16}$
ECU Linked Deposits	—	—	6½-6¼	6¼-6⅝	6⅞-6¾	7¼-7

Treasury Bills (sell): one-month 8¾ per cent; three-months 8¼ per cent; Bank Bills (sell): one-month 8¾ per cent; three months 8$\frac{13}{16}$ per cent; Treasury Bills: Average tender rate of discount 8.7974 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1987. Agreed rates for period July 26 to August 25, 1987, Scheme I: 10.47 p.c., Schemes II & III: 10.17 p.c. Reference rate for period May 30 to June 30, 1987, Scheme IV: 8.940 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9 per cent from July 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¼ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-12 months 9⅛ per cent; Under £100,000 8 per cent from July 8. Deposits withdrawn for cash 5 per cent.

طبقاً للأصل

SECTION III

FINANCIAL TIMES SURVEY

The legitimacy of the Moroccan monarchy rests on the dual foundations of historical tradition and the religion of the Prophet Mohammad. But, in the years to come, the monarch will have to find ways of associating the rising numbers of educated people with the exercise of real power, write Francis Ghilès and Andrew Gowers.

King Hassan, in traditional costume, on a visit to the Western Sahara

Morocco

IN THIS SURVEY

King seeks wider stage

WHEN KING HASSAN II of Morocco, paying his first state visit to Britain this week, meets Mrs Margaret Thatcher, the Prime Minister, they ought to have a lot to talk about.

Both leaders, after long years in power, now dominate their domestic political scene in a way without precedent this century. Both are presiding over a measure of improvement in their countries' economies following a number of very difficult years. And in their rhetoric at least, the governments of both are now committed to liberal economics, in which phrases like *fiscal responsibility* and the *free market* loom large.

The similarities, of course, do not go much farther. King Hassan has, for more than 26 years, been the absolute monarch of a country which considers itself part of the Arab world, whatever its trappings of Western parliamentary democracy. Scion of the Alaoui dynasty which has ruled Morocco since the 17th century, he is also one of the more intriguing figures on the international political scene: a firm friend of the West, an immediate neighbour of the European Community since the accession of Spain and Portugal in 1986, and a player of some significance in the tortuous conflicts of the Middle East.

There are a number of reasons why the King's presence in London will evoke more than the customary courteous interest which state visits normally receive.

For example, there are signs that he is beginning to take a broader approach to foreign policy than has been customary in the past. In the years since it gained independence from France in 1956, Morocco has tended to look at its relations with other countries in a relatively narrow focus.

It has concentrated on ties with Paris, and its other sometime colonial adversary, Madrid, to the virtual exclusion of other western European capitals.

This narrow focus has been reinforced by the West Saharan conflict — relations with Algeria have been strained since 1975, while Libya was viewed with great misgivings until it switched sides in 1984 and signed a treaty of "union" with Morocco at Oujda. King Hassan's purpose was to try to wean Colonel Gadaffi away from supporting the Polisario guerillas. Despite breaking the "union" last year, King Hassan is not on overtly hostile terms with his Libyan counterpart.

Relations with the US, which are close and go back exactly two centuries, were badly upset by the Oujda treaty. Washington had looked upon King Hassan as its paramount friend in Northwest Africa: Morocco sent troops to Zaire's troubled Shaba province to help re-establish order in 1978; it allowed old US bases to be refitted for possible use by the US Rapid Deployment Force; it will soon house the most powerful Voice of America broadcasting station outside the US.

Fences have now been mended, after King Hassan's decision publicly to receive the Israeli prime minister last summer.

Meanwhile, the West has never denied the monarch the weapons he asked for in recent years — often paid for out of Saudi cash. France and Spain have, however, been far more generous where loans for such purposes are concerned than the US.

On the Middle East scene, King Hassan has played a role which belies Morocco's somewhat marginal geographical position in the Arab world. He hosted an important Arab summit in Fes in 1982, and last year became only the second Arab leader after the late Egyptian president, Anwar Sadat, publicly to meet an Israeli prime minister, when he received Mr Shimon Peres in Ifrane. His relations with Saudi Arabia and the Gulf states, who have, over the years, extended considerable financial help to Morocco, remain very close.

A born gambler, the monarch's occupation of the Western Sahara, as General Franco lay dying in Madrid, remains his boldest move. The King disregards the fact that nearly 70 countries recognise what the Moroccans argue is a phantom Saharan Arab Democratic Republic. Morocco left the Organisation of African Unity in 1984, when the latter agreed to seat the Polisario, with few regrets.

The King's visit to London is one sign that he is now seeking to assert himself on a wider stage. His statement, three years ago, that Morocco would like to join the European Community was in the same spirit—a largely symbolic affirmation of Morocco's desire for a close relationship with the bloc to its immediate north. The importance of such ties was never greater than now, since Spanish membership of the EC has raised vital economic questions for Rabat, especially in relation to its agricultural and fishing industries.

On the Middle East scene, King Hassan has played a role which belies Morocco's somewhat marginal geographical position in the Arab world

On questions of domestic economic policy, too, Morocco is currently provoking great interest in Western capitals. For the first time since independence, the Government is demonstrating a serious intention to bite the bullet of economic reform. Despite falling foul of IMF targets twice since 1981, it is now applying a collection of measures straight out of the International Monetary Fund's and the World Bank's textbooks.

By cutting public spending, it has reduced its budget deficit from 12.6 per cent of gross domestic prduct, in 1982, to only 6.2 per cent last year. In 1986, its current account deficit equalled less than 2 per cent of GDP, compared with more than 13 per cent four years earlier. By allowing the traditionally-overvalued dirham to float downwards, it has boosted exports (particularly in important industrial sectors like textiles) and receipts from tourism. It is reducing costly and wasteful areas of expenditure, such as food subsidies, and has, at least since the riots of 1984, avoided any serious social unrest.

To cope with the problem of large debts built up during the 1970s and early 1980s, the Government has reached rescheduling agreements for $1.8bn of commercial bank debt payments and $900m of government-to-government loans since last December. The debt burden, nonetheless, remains heavy, and is reckoned by the IMF to total about $16.5bn this year—only a little short of Morocco's entire GDP.

To put all this into perspective, it has to be said that Morocco has been lucky in the last year or so, and that a good deal of the short-term improvement in its position has been due to a range of external factors over which the Government has no control. It has been helped by the collapse in oil prices, which has trimmed Morocco's import bill by some $500m; by the fall in the value of the dollar and of US interest rates, which have reduced debt service costs; and by a plentiful 1986 cereals harvest which slashed the need for food imports and gave a welcome fillip to that half of the population which still lives on the land.

But the Government is now talking about far-reaching structural reforms with a view to liberalising the economy, enhancing the role of the private sector, and broadening the tax base. Important steps are being taken to restructure Morocco's cumbersome public-sector companies, with the aid of a $240m loan from the World Bank—the largest of its kind.

That his Government can even contemplate such an ambitious programme is in part a reflection of King Hassan's personal authority within Morocco, which is widely acknowledged now to be at its zenith. His political and religious legitimacy absolutely unchallenged within the country.

Political activity, of course, revolves around the King, but he has allowed a certain loosening of the reins in recent years following the repression and immobilism of the 1960s and 1970s. The vast majority of Moroccans accept Hassan as the guarantor of the country's territorial integrity—including the former Spanish colony of the Western Sahara, which Morocco took over in the face of Algerian opposition and international disapproval in 1975—and of its political stability. Morocco benefited from the reluctance of most Western, Arab and African countries to help create what they believed would be yet another impoverished small state.

True, Morocco has never suffered from the sort of identity problems which afflict many other Arab countries. For much of its history, it has been physically, as well as politically, isolated from its immediate neighbours; sealed off to the east by the Rif and Atlas mountain ranges; to the south by the Sahara desert; and to the west by the Atlantic Ocean.

It is the only member of the Arab world that can claim to have been an independent country for more than a thousand years, and to have developed its own traditions and monarchy rather than having them imposed by outsiders. Morocco was never part of the Ottoman empire, and was left relatively untouched by French rule: in marked contrast to Algeria and Tunisia, its own institutions and culture survived the colonial period more or less intact.

What is more, the legitimacy of the Moroccan monarchy rests on the dual foundations of historical tradition and the religion of the prophet Muhamad. The King is Amir al Mu'minin (Commander of the Faithful) and Khalifat Allah Fi'l ard (Allah's deputy on earth). It is fair to say that no other Maghrib state—indeed no other Arab state—is in a position of being able to appeal to centuries of independent government, and an unbroken and apparently entirely orthodox combination of secular and religious legitimacy.

Nevertheless, for all its shared history, Morocco is something of an ethnic and tribal patchwork quilt, which requires careful handling. And King Hassan's position was by no means always as strong as it is today. When he came to the throne after the sudden death of his father, Mohammed V, in February 1961, he spent many years experimenting with Moroccan constitutions, alternately liberalising and clamping down on political activity.

In the mid-1960s, he successfully faced down a wave of agitation by the main opposition party and within the universities, but only after a number of executions, bloody confrontations between rioters and security forces, and the disappearance in Paris of one of the leading opposition figures, Mehdi Ben Barka, in circumstances which remain mysterious to this day.

What is more, it is not that long since the King miraculously survived two attempted military coups. In the first, in July 1971, many of the guests who had gathered to celebrate his birthday at the seaside palace of Skhirat were killed; in the second, little more than 12 months later, a group of dissident pilots attacked the aircraft in which he was returning to Rabat from France.

Since these narrow escapes, Hassan has had an aura of *baraka* (good fortune) which has undoubtedly enhanced his position within the country. But he was shaken by the events of the early 1970s, and has moved both decisively and deftly in the past 15 years to turn events to his own advantage.

Opposition has been kept within well-defined bounds. Political parties across a reasonably broad spectrum are allowed to function, and have recently been able to speak out on a range of issues, including some quite sensitive economic and social ones. Whatever its limitations, the Moroccan press must be one of the liveliest in the Arab world.

With any opposition which falls "off limits," as it were—and especially with those who have dared to speak out against the Moroccan takeover of the Western Sahara—the authorities have been ruthless. In its 1986 annual report, Amnesty International expressed concern about the detention of 190 actual or possible "prisoners of conscience," as well as pre-trial and trial procedures for political prisoners which allegedly do not conform to international standards; incommunicado detention; and alleged torture and ill-treatment of detainees.

Yet on the other hand, the King has also demonstrated finely-tuned political antennae. Time and again in recent years he has outmanoeuvred the opposition with a bold gesture, especially where Moroccan nationalist sentiments are involved. After the troubles of 1971 and 1972, for example, there was a notable shift in economic policy to take account of such feelings. It was decreed in 1973 that all strategic sectors of the economy were to be at least 51 per cent Moroccanised, and that foreign-owned agricultural land was to be expropriated by the state and distributed to farmers.

The King's masterstroke, though, is widely acknowledged to have been the famous Green March, launched during the autumn of 1975, in which 350,000 unarmed Moroccans headed south into the desert (preceded by the Moroccan army) in order to reassert Rabat's sovereignty over what was still the Spanish Sahara. Even if the resultant conflict with Polisario guerrillas who oppose Moroccan rule is still going on today, and Morocco has won itself little international diplomatic credit by annexing the former colony, the move arguably continues to pay domestic political dividends.

Important steps are being taken to restructure Morocco's cumbersome public-sector companies, with the aid of a $240m loan from the World Bank—the largest of its kind

The reconquest of the Western Sahara, over which Morocco claims rights of sovereignty stretching back to the Middle Ages, provided the monarch with what one commentator has described as "an almost miraculous diversion" from pressing domestic problems. All at once, be presented Moroccans with a common opponent against which to close ranks; provided the military with an enemy to fight and with a big boost in spending; and asserted a very popular strain of Moroccan irredentism.

Foreign observers have often commented critically on the costs of the conflict. But against such a background, they actually seem to most Moroccans quite limited, whether counted in lives or in money. What is more, the expense involved in keeping control of the Sahara has fallen since the 1970s and early 1980s when the armed forces underwent the bulk of their re-equipment programme.

Moroccan confidence in its battle with the Polisario is currently at an all-time high. This stems principally from the construction over the past five years of a 1,300-mile defensive wall around the territory, which now reaches the port of Dakhla, designed to keep the guerrillas out. The latest stage of this ambitious project in the south is all but complete, meaning that Morocco can now deny the Polisario fighters access to most of the Saharan territory for most of the time, and has closed off their route to the sea, which they had used to mount attacks on shipping and small aircraft off the West Saharan coast.

Even the Polisario admits that the character of the war has changed dramatically since the 1970s, when it regularly ambushed and captured Moroccan soldiers and equipment.

Politically, the war is no longer making the waves it used to, either. Most of Morocco's Western friends, while trying to stay neutral on the issue and limiting diplomatic visits to the Sahara, in practice do not allow *it to cause any great friction* between them and Rabat. For its part, Algeria—while continuing to support the Polisario both financially and diplomatically—has, since 1979, clearly demonstrated its desire not to let the conflict spill over into a wider confrontation between the two countries. That was the main message to emerge from the unexpected summit meeting between King Hassan and President Chadli Bendjedid, arranged through the mediation of Saudi Arabia's King Fahd in May.

If the Sahara war is diminishing in importance, King Hassan still has other nationalist cards up his sleeve—notably the argument with Spain over the future of its two remaining enclaves on the north Moroccan coast, Ceuta and Melilla. That is an issue of which we can expect to hear a lot more of in the next couple of years.

Yet it is arguably on the domestic political, economic and social front that King Hassan faces his most significant and difficult challenges—problems which may well be spotlighted or accentuated by the reforms which his government is now initiating.

They include:

- Extremes of wealth and poverty, with large numbers of Moroccans still living beneath the poverty line. To ensure that they achieve greater purchasing power is important, both to retain their loyalty and bring them into the real economy. By the same measure, the widespread evasion of taxes by industrialists, when added to the virtually tax-free status of farming, building and tourism, deprives the state of resources which are much needed to improve the country's infrastructure and meet important social and educational needs.
- Disparity between regions. The Casablanca-Rabat-Kenitra axis boasts over two-thirds of the country's economic activity, while the north has, since independence, been left largely to its own devices. Many people in Tangier are hoping that King Hassan's visit next autumn will reverse this state of affairs.

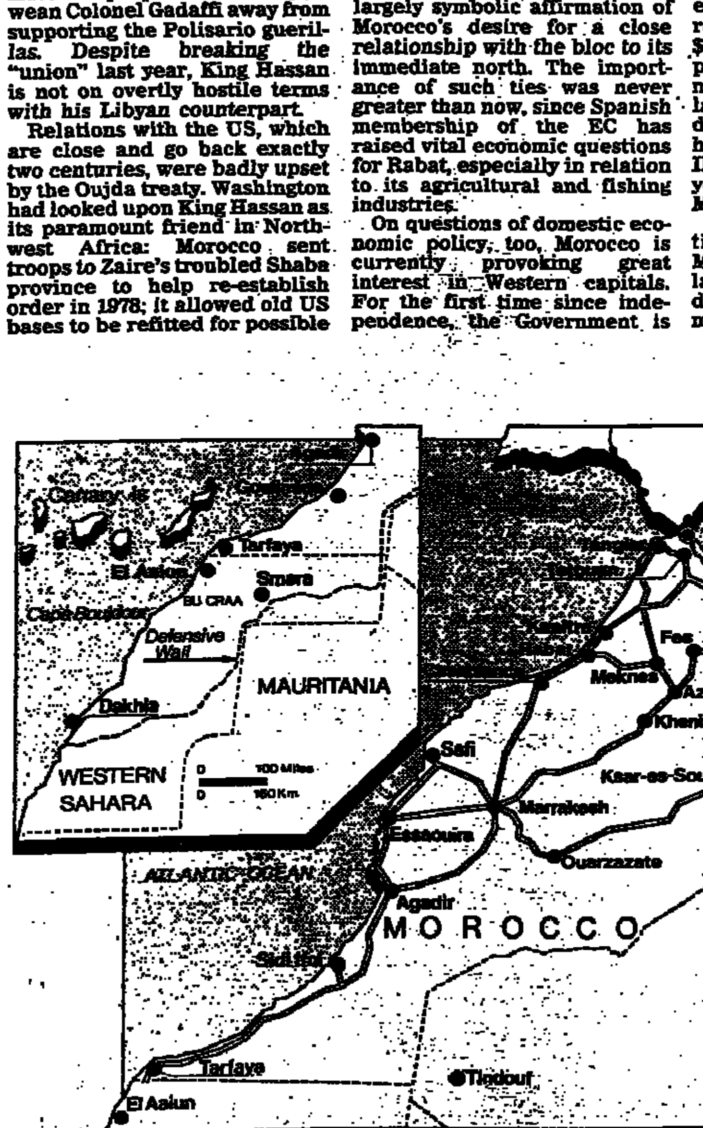
Vast mountain areas remain where poverty is acute and peasants engage in subsistence farming on poor soils, with uncertain rainfall. Such areas, which for foreign travellers are ones of outstanding natural beauty contrast sharply with the relatively large, well farmed and irrigated estates in the plains which feed cities and grow export crops.

- A bloated public sector, where 680 enterprises account for at least one-fifth of GDP and a far higher proportion of jobs—the giant Societe Nationale d'Investissement literally squats on a vast portfolio of company holdings which does little to encourage growth. The Minister of Finance, Mr. Mohammed Berrada has been scathing in his references to the state administration but vested interests remain deeply entrenched.
- The need to overhaul the education system with a view to generalising primary education and making access to university more selective is recognised as a major, but inevitable, *challenge*.
- A high birthrate and the steady pace of urbanisation dictates the creation of many more jobs than are at present on offer. Only private industry, if it invests more than today, and foreign investors, if they are willing, can provide the necessary money.
- Concentration of power. However deep loyalty to the monarchy may go, powerful centrifugal forces exist which need to be addressed. Up to now a bedrock of support for the King has been the mass of Moroccan peasantry. In years to come, the King will have to find a way of associating the rising numbers of educated people in industry and civil service with the exercise of real power.

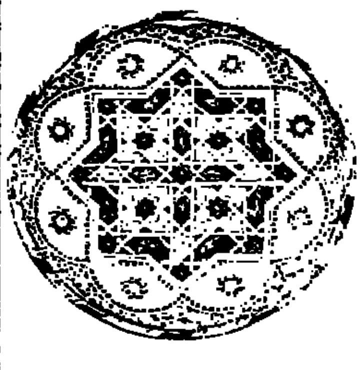
This does not necessarily mean destroying traditional structures and ways of doing business. But the successful modernisation of Morocco's economy perforce means a strengthening and diversifing of political institutions. Changes need to be introduced into a form of government born of a centuries-old system of patronage and interlocking families which owe allegiance to the King.

The Word Bank is keeping its fingers crossed about Morocco, with which it has a very important programme. Cautious optimism probably sums up best the view of senior officials who have been dealing with the Kingdom these past few years. The IMF, from which Morocco has drawn 440 per cent of its quota, also feels that, however long and arduous, there exists no other road to recovery and steady growth than the one which implements the policies agreed in recent years.

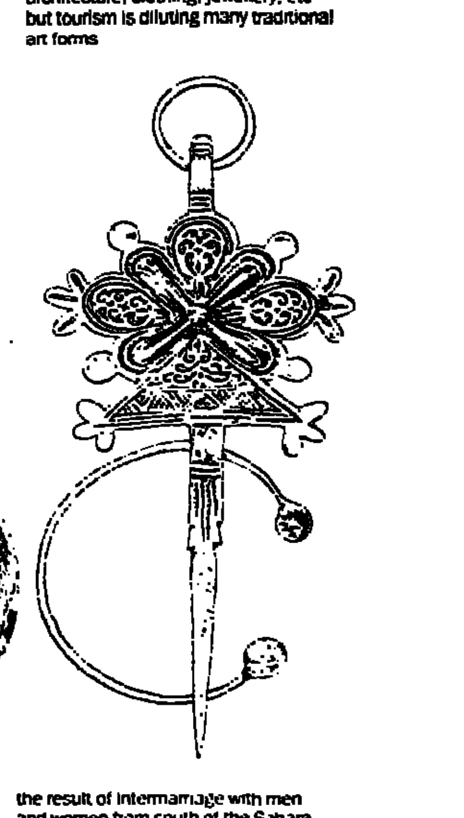
If the policies succeed, King Hassan's rule will be consolidated and the reputation of the IMF and the World Bank enhanced. The consequences of failure is something which outsiders and Moroccans alike prefer not to think about.

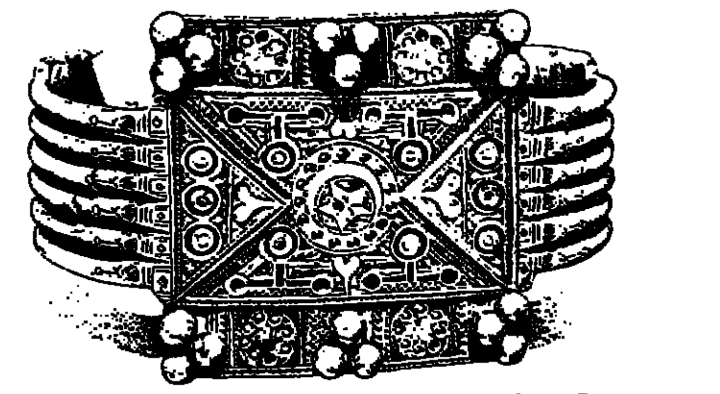


Silver "Fatma hands" (left) have always been a sign of good luck—the lizard provides protection against snake bites. A "tizerrai" fibula with a "jackal's paw" design (below), to which magical virtues are attributed, is used to be women's cloaks at the shoulder. The variety of silver jewellery, which Moroccan peasants have always favoured, provides a fair reflection of popular beliefs. The monarchy has always encouraged the crafts—architecture, clothing, jewellery, etc—but tourism is diluting many traditional art forms



The two great centres of pottery remain Fes and Safi. Traditional plates and other house vessels are still manufactured, but Moroccan artists also try their hand at more modern designs, which are keenly sought by both Moroccan and foreign collectors.





Bracelets are great favourites among country women, worn either round the wrist or the ankle. Many Moroccans, be they of Arab or Berber descent, have a measure of black blood in their veins, the result of intermarriage with men and women from south of the Sahara. Silver looks particularly alluring on such people.

Drawings by James Ferguson

Politics and the monarchy

Testing years await the descendant of the prophet

MOROCCO HAS officially been a constitutional monarchy for the past 25 years, virtually the entire length of King Hassan's reign.

The reality is rather different. Now 58, and at the peak of his powers, Hassan II brooks no interference with his wishes. If he wants to build another palace, as he has just done at Agadir, he does so. And if he wishes the national elections to reflect a certain result, in favour of his men, as happened in 1984, that too is arranged.

Commander of the Faithful and descendant of the Prophet, His Majesty is at once the master of ceremonies and the spider at the centre of the Moroccan web. Admirers and critics alike speak in awe of his manipulative skills: his ability *to divide and rule when necessary*; and his knack for the theatrical grand gesture which can turn an adverse situation to his own advantage.

With the large Moroccan army conveniently tied down in the Western Sahara, the ulema (the Moslem clergy) largely co-opted by the regime, and the trades unions muzzled and divided, it is hard to see the source of any effective challenge to his rule.

Since seeing off, in characteristically ruthless, fashion the last known coup attempt, in 1972, by his Defence Minister, Gen. Mohammed Oufkir, King Hassan's authority has remained uncontested. There have been occasional sputterings of trouble from extreme left underground groups, but these have been quickly squashed with the aid of a very effective police network.

When serious disturbances have broken out, as in 1981 and again in 1984, they have been more in the nature of bread riots than incipient movements to overthrow the regime, and have been put down very firmly, with many casualties.

Even though resentment over the privileges and lifestyle of the small Moroccan elite is deep-seated, the bubbling discontent rarely translates into an anti-monarchical sentiment. So strong is the King's grip on his people's loyalties that, in the opinion of Western diplomats, any coup, in order to succeed, would have to have the backing of another member of the royal family. Although alleged corruption in high places and the palpable extravagence of the court at a time of national hardship could prove classic motives for an attempt to replace the ruler, the plotters' lack of legitamacy would be their first and foremost handicap. Most Moroccans expect their monarch to exhibit splendour on great occasions.

Unlike the late Shah of Iran, with whose demise comparisons are sometimes drawn, Hassan II is not only the latest in a 350-year dynasty of impeccable pedigree, he is also the Imam, or spiritual leader, of his people. In a country devoted to saint-worship, the latter asset more than compensates for relative poverty or the lack of a job.

It is against this background that Moroccan and foreign observers agree that the *greatest danger to the stability* of the regime would come from King Hassan's own untimely death—the same circumstances as those under which he took over from his father, the highly popular Mohammed V. By popular repute, the young Crown Prince, Sidi Mohammed, is not *yet ready for the job.*

Calm and well disciplined on the surface, a strong streak of *passion runs, usually undetected*, through Moroccan society. And when pent-up feelings *finally explode, they do so* quickly and violently. Keeping that genie in the bottle is an art that the King has mastered over the years: playing off one region against another, and balancing the interests of the countryside against the towns. A frequent grouse these days among middle-class businessmen and intellectuals is that the countryside currently has the upper hand.

The quality of the administration is said to have deteriorated considerably compared with the well-trained civil service the French left 30 years ago; and the blame for this, and for the parallel rise in petty graft is put on the promotion of less well educated figures, the "arroubis", from the countryside.

On the other hand, by comparison with anywhere else in the Arab world or in Africa, Morocco's human rights record is reasonably good. Although an international human rights organisation recently claimed that, over the years, some 400 people had "disappeared", this figure is viewed by most outside observers as a considerable exaggeration.

Amnesty International lists 190 "prisoners of conscience", many of whom were sentenced in 1977 for plotting against the state during a mass trial of a Marxist group calling itself "Ila al-Amam" or "Forward". A further crackdown on its remnants took place in late 1985, leading to the arrest of some 40 students and professionals.

In an embarassing reminder of the past, earlier this year the four children of the late Gen. Oufkir, who died mysteriously in the royal palace after his failed coup, managed to escape from house arrest to issue a poignant plea to world opinion for their release. The King's response was trenchant, in the true spirit of his ancestors: "Don't talk to me about Oufkir's children. If their father had won in 1972, I know where my own children would be now".

Since April 1985, Morocco has been governed by a three-party centre-right coalition led, until last autumn, by M Mohammed Karim Lamrani, a long-time royal stalwart, and since then by the former minister of education, Dr Laraki.

Supporting the Government, but not a member, is the rural-based Berber party, the Popular Movement; while the two most authentic parties, the nationalist Istiqlal and the left-wing Socialist Union of Popular Forces, chose to stay in opposition.

Two of the three governing parties—the Constitutional Union of former Prime Minister Maati Bouabid, and the small National Democratic Party—are artificial creations formed by *the King's supporters shortly* before the elections, apparently with the aim of thwarting the anticipated leftward swing of the electorate. The third, the National Rally of Independents, has since its formation in 1978 always been regarded as staunchly royalist.

Not that party politics has much to do with the actual day-to-day life of the country. As one Western diplomat put it: the parties are not "mobilisers of the masses or articulators of their needs". Strict limits are placed in practice on their ability to criticize or oppose government policies.

King Hassan addresses his parliament: criticism has its limits

Press freedom, like political freedom, is also confined within the limits set by the monarch. The opposition press performs a useful role as an escape valve for the head of steam which builds up from time to time. Veiled *criticism of corruption* can, for example, be made from time to time. But when one paper recently went too far and criticised a royal adviser, it was summarily closed down for several months.

By general consent, at present, King Hassan has the country well under control. "For the moment, there is no obvious threat to the King. He understands his people and the limits they can stand," said an experienced diplomat. At the same time, there is an awareness that the next five to 10 years is going to be a testing period. Moslem fundamentalism, although still disorganised, is spreading, not least, it appears, in the Rif mountains in the north.

Meanwhile, the shanty towns of the big cities are a tinder box waiting for a spark. If it were not for *the distant fighting in the* Sahara, a conflict which unifies the entire Moroccan spectrum solidly behind King Hassan, the trouble might even come earlier.

Andrew Whitley

Relations with the Middle East

A bridge between two worlds

ON A promontory with a magnificent view over the straits of Gibraltar, in La Montagne, Tangier's most fashion*able hilltop* district King Fahd of Saudi Arabia has built himself a luxurious palace, which he visits for a few weeks a year.

Close by, the ornate holiday homes of other members of the Saudi yacht set are flourishing—though some princes clearly favour the Corniche, at Casablanca, with its casinos and good living.

It is not difficult to see why wealthy Gulf Arabs like to spend time in Morocco, an agreeable Islamic country with more relaxed social customs and more than those to which they are accustomed. Immediately recognisable in their *long flowing* robes and head-dresses, the visitors are the visible—if not always welcome—symbol of a relationship that is coming to be of paramount importance for Morocco's financial well-being.

Through a mixture of judiciously-timed gifts, hard currency deposits with the Moroccan Central Bank and ample credit to purchase Western arms, the Gulf states have helped prop up their fellow monarchy in its time of need.

In 1985 alone, when the Moroccan foreign exchange reserves had virtually disappeared, the central bank records the receipt *of grants* from abroad of DH 2.5bn ($250m)—most of which Western diplomats suspect came from the Gulf.

Saudi Arabia was also involved in the Paris Club rescheduling of Morocco's government debt last March. It was, therefore, no surprise that pride of place in the front rank of the receiving stand during the recent royal wedding ceremonies in Marrakesh was given to Crown Prince Abdullah of Saudi Arabia and Sheikh Zayyid, ruler of Abu Dhabi and President of the United Arab Emirates.

Whatever the nature of his links with the Saudi and Gulf rulers, King Hassan has by no means forgotten the role he has taken upon himself of acting as a bridge between the West and the Arab world on one hand, and the Arabs and Israel on the other. Over the years, he has frequently played an important behind-the-scenes mediating role in the Arab-Israeli dispute—at no apparent cost to his domestic or inter-Arab standing.

"The King sees himself as an historical figure who is uniquely placed to act as an arbiter in the region's con*flicts," said one knowledgeable* Western diplomat. "He is a strategic thinker who covets a place in *history, though* it is unclear whether he is aware of his own limitations," said another.

Going back over a decade, to the days when the late Moshe Dayan used to slip into Rabat in disguise, to prepare for President Anwar Sadat of Egypt's ice-breaking visit to Jerusalem in November 1977, the Moroccan leader has regularly received high *Israeli officials* with his customary discretion. Mr Shimon Peres, the Israeli Labour Party leader, visited Morocco several times when he was in opposition, before last July's public summit meeting at Ifrane.

The consequences of the Ifrane summit, or rather the lack of them, were a salutory lesson to the King. Disappointed both by Mr Peres' empty hands and by his own inability to reshape the Israeli political map in favour of a peace consensus—by implicitly calling on Israel's large Moroccan Jewish community to break their traditional affiliation *to* the right-wing Likud—the expectation is that King Hassan will be more cautious in *future*, before undertaking similar initiatives.

At the same time, Ifrane provided a reassurance that he was able to shock Arab orthodoxy and escape with virtual impunity. In *a fit of pique*, Damascus broke diplomatic relations with Rabat; but the breach was brushed aside in Morocco as an inconsequential gnat-bite. More telling was the silence with which the summit was greeted in other Arab capitals and by the Palestine Liberation Organization, despite the triumphant boasts from Israel that another Arab country had broken ranks with its fellows in dealing publicly with the Jewish state.

Unlike neighbouring Algeria and Tunisia, Morocco has never extended any practical assistance to the PLO. It did not, for example, *offer* refuge to PLO fighters or to Mr Yasser Arafat after their expulsion from Beirut in 1982 at the hands of the Israeli Army. But, politically, as befits the man who chairs the Islamic Conference Organization's Jerusalem Committee, King Hassan has been unswerving in his defence of both Palestinian rights and the pre-eminent role of the PLO. On this score, Mr Peres obtained little satisfaction.

At a popular level, Morocco is without question imbued with a strong, pro-Palestinian and anti-Israeli sentiment, unlikely to change ahead of a comprehensive Middle East settlement. The prospect of regular, above-board links, even in such seemingly uncontroversial areas as communications or tourism, is thus out of the question for the moment.

But the Kingdom's geographic distance from the Arab heartland and its traditional independent-minded course still enables it to take risks that no other Arab country could afford, and to follow its own interests.

Cancelled at the last minute only because of unwelcome publicity in Israel, Mr Othman Demnati, Morocco's Agriculture Minister, had been scheduled last February to pay an unprecedented official visit to Israel, at the head of a delegation seeking agricultural technology know-how and equipment. The delegation came nevertheless.

In the other direction, thousands of Israelis of Moroccan origin each year return to their country of origin, to take part in religious festivals and help keep alive the country's once large and thriving Jewish community.

How permanent and deep King Hassan's interest is in the Middle East conflict is debatable. In the opinion of one Western diplomat, once the diplomatic contest with Algeria for influence abroad eases off, in the aftermath of a settlement of the Saharan conflict, the King will turn his attention inwards once again.

Put another way: the high level of activity Morocco has engaged in both before and since the 1982 Fes summit—the closest the Arab states have ever come to recognising Israel—is regarded by this school of thought as more tactical than substantive in its motivation.

The King has often made clear his frustraton at the way in which the Arabs, and in particular the Palestinians, have played their hand towards Israel. Having failed to face up properly to either of their two alternatives—war or peace—they have achieved precious little over the past 40 years, he tells his interlocutors.

Morocco has done its part in the Arab cause. Its troops fought bravely on the Golan Heights in 1973; it has hosted probably more Arab and Islamic conferences than any other country; and the Fes declaration, which King Hassan helped shape, remains the Arabs' best common denominator for peace talks. What more it can do at this stage, other than quietly smooth the way for the combatants to talk to each other it is difficult to see.

The King would dearly love to have a place at the putative international conference on the Middle East. But he is probably realistic enough to realize that the Arab frontline states do not share his enthusiasm to take part, his record notwithstanding.

Andrew Whitley

The economy

Tax reform is the 'hottest issue'

"WITH POPULATION growth at about 2.5 per cent a year, Gross National Product and consumption per capita, which have been essentially stagnant since 1980, are not likely to show much improvement in real terms until the end of the present decade," concludes the latest World Bank report on Morocco bleakly.

Playing a key role in the international community's efforts to help the palsied Moroccan economy get back on its feet, the Bank is explicit about the likely consequences of the bitter medicine the Rabat government has swallowed since embarking on a comprehensive programme of economic reform in 1984.

These adverse effects include: a predicted increase in unemployment (already running at 15 per cent in urban areas), reduced domestic demand, and a decline in real incomes, particularly among urban populations.

Not mentioned, but of equal concern to many thoughtful Moroccans concerned about the stability of the regime, is the need to preserve the living standards of the new middle class that has emerged over the past 15 years. That middle class is prospering reasonably well, judging by the evidence of the *smarter suburbs of Casablanca.*

Its well-being owes much to a factor which finds only a tangential place in World Bank and International Monetary Fund reports, but is nevertheless of crucial importance: the existence of a large—and flourishing—undeclared subterranean economy.

Evidence of the all-pervasiveness of the black economy is not hard to find: whether in the many small textile and clothing enterprises which have sprung up lately; in the volume of imports said to evade customs duties; or in the shape of the senior banker who candidly admitted that the only item on which he had paid sales taxes for his luxurious new home was the cement. As many as three-quarters of Morocco's registered companies report losses year after year to the tax authorities.

And yet, somehow, they manage to survive. Astonishingly, agriculture, still the backbone of the economy, together with property dealings and tourism are all tax-exempt. How much all this represents in terms of "missing" government revenues is impossible to tell. The state's tax collecting ability is notoriously weak at the best of times. But there is general agreement among Moroccans and Western diplomats that the size of the black economy could be equal to at least a third of Gross Domestic Product: i.e. some US$5.3bn.

Awareness of the dimensions of the problem, and of its implications for the economy's long-range structural adjustment programme, is beginning to surface in public. "Tax reform is the hottest issue of this year and next," said one foreign diplomat.

After the profligate 1970s, when strong phosphate earnings fuelled a public sector-led spending boom and GDP expanded at a healthy annual rate of 7.5 per cent, the 1980s will inevitably be cast by many in Morocco as "the lost decade."

The twin burdens of servicing an external debt equivalent to just under 100 per cent of GDP and the continuing drain on productive resources represented by the war in the Sahara were the Scylla and Charybdis through which the economy has had to be delicately steered. Weighed down by a crippling five-year drought, growth averaged only 3.3 per cent between 1980 and 1986.

But to others, particularly among the creditors of that $17.4bn debt mountain, the past few years will be seen as the time when Morocco finally got to grips with a number of its chronic ailments.

Subsidies, particularly on foodstuffs, have been slashed; foreign trade has been liberalised (at least in theory); and a realistic exchange rate policy has been pursued for several consecutive years. To this should be added the imposition over the past 12 months of stringent money supply controls.

The beneficial effects of these changes, which have ushered in a generally more optimistic economic climate, are already showing up in higher earnings from tourism and foreign remittances, the country's two largest sources of hard currency. Transfers home—always a sign of confidence—from the 900,000 Moroccan emigrant workers have risen to over $1.5bn. Tourism, whose potential has yet to be fully tapped, is also booming.

Much remains to be done, as the IMF, for one, makes clear. The provision of social services, particularly health and education, is far from being cost-effective. Subsidies, which cost the Treasury $275m in 1986—half as much again as had been budgeted—still benefit mainly those who do not need them.

More worryingly, the crude throttling of public spending has shown up in rapidly rising arrears to domestic and foreign suppliers, a source of particular concern to the IMF. External arrears at the end of 1986, at $820m, were more than double the comparable figure of a year earlier and well above the target set by the Fund.

Delayed domestic payments, mainly to the public sector, are meanwhile estimated at DH 6bn ($1.06bn), together producing an enormous overhang impeding any general recovery. Despite overruns on the planned reduction in the external arrears and the fiscal deficit, by contrast with its two previous experiences this decade with Morocco, this time the IMF's stand-by agreement, covering the 15 months from December 1986 to February 1988, appears to be working reasonably smoothly.

The fiscal deficit was brought down from 10.4 per cent of GDP in 1985 to 6.2 per cent last year; while the external current account deficit fell even more sharply, from 8.2 per cent to 2.1 per cent. The latter owed much to a number of special factors, such as the decline in oil prices and the bumper 1985-86 grains harvest.

Officially put at a record 7.7m metric tons, independent estimates of the harvest put it closer to 7m tons. It was, nevertheless, the main impetus behind the 5.8 per cent growth rate Morocco was proud to report last year. All the greater the shock, then, when reports started to come in in recent months that after two good years the rains last winter had partially failed once again and the harvest would be below normal, at around 4m tons.

To make up for the shortfall, wheat imports of about 2.5m tons are likely to be required, putting an unwelcome additional pressure on the import bill. At the same time, the unofficial GDP growth estimate for this year has been scaled back from 3.3 per cent to 2.6 per cent—a virtual standstill in real terms.

What has given Morocco a badly needed breathing space has been the debt service relief it obtained from its official private creditors following the green light from the IMF. All told, a $2.5bn rescheduling package was put together by the two groups earlier this year, bringing the country's crucial debt service/exports ratio down in 1987 from a projected 70 per cent to a more manageable 34 per cent.

But this lessening of pressure to repay debts accumulated from the late 1970s onwards to pay for the war and a heavy programme of costly and often ill-conceived public sector projects is only temporary, extending to the end of 1988. Therefore, unless a further comprehensive roll-over can be arranged in the meantime, the pressures will redouble.

With the food riots of 1984 still very much in mind, the Government will need strong nerves to hold to its course of structural reform and trade liberalisation.

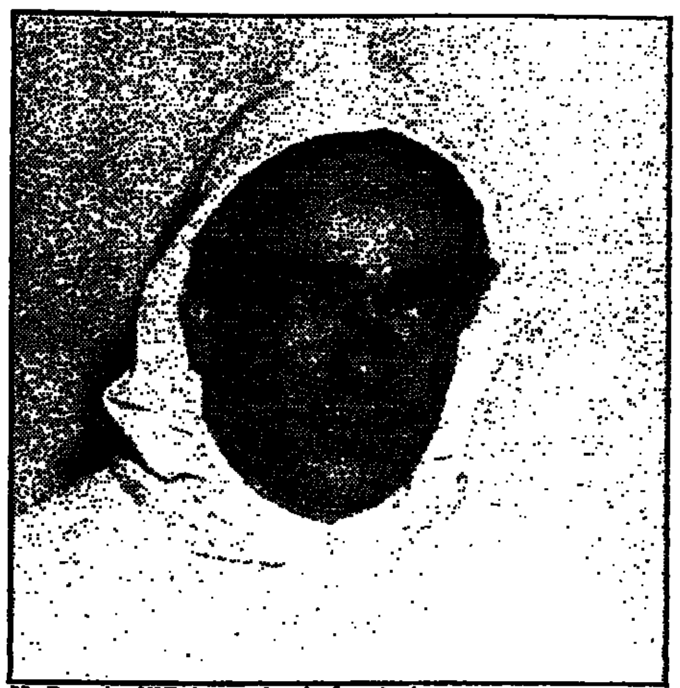
Exports have yet to show any meaningful response to the new regime. And questions are being asked about the wisdom of the IMF and World Bank's prescriptions at a time when the country's major market, the European Community, appears to be closing its doors to Moroccan goods.

Andrew Whitley

Key economic indicators

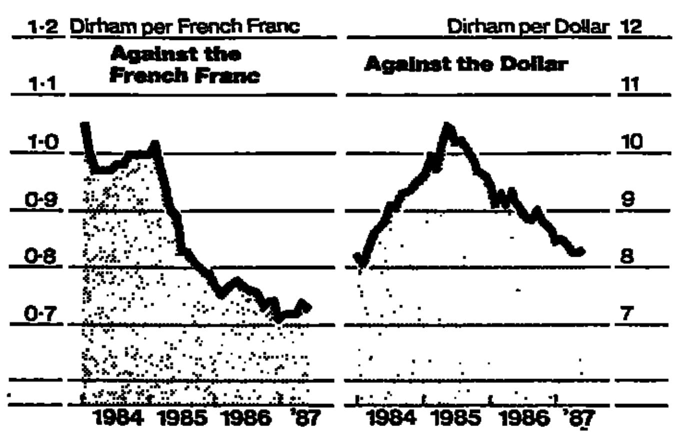
	1983	1984	1985	1986
		US$bn		
Exports	2.03	2.15	2.16	2.5
Imports	3.53	3.88	3.75	3.8
Current account deficit (Before debt relief)	−1.10	−1.40	−0.98	−0.257
Rate of GDP growth (prix real)	2.3	2.1	4.3	5.7
(prix economical)	—	10.7	14.2	15.0
Debt service (SDR bn) (Before Relief)	1.9	2.2	2.4	3.1
As a % of exports of goods, services to transfer (Before relief)	51	56.5	57.8	68.8
(After relief)	—	27.9	31.2	34.6
Drawn foreign debt	12.5	13.9	13.2	13.6

Ministry of Finance, Rabat

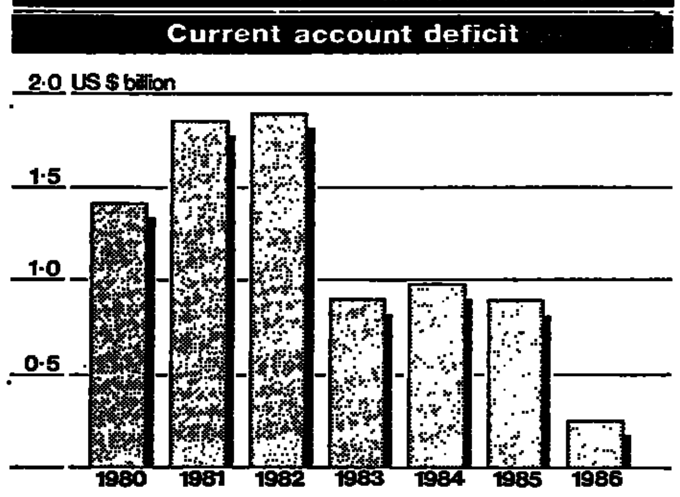


Mr Berrada: VAT drew a howl of protest

The Dirham



Current account deficit



Profile: Finance Minister Mohammed Berrada

Luck holds for the liberal voice

WHEN Mr Mohammed Berrada speaks, sparks and ideas tend to fly in all directions.

During his 15 months as Morocco's finance minister, the nimble-witted Mr Berrada has completed the renegotiation of the Kingdom's foreign debt, undertaken the latest push to reduce its budget deficit, and continued an ambitious attempt to modernise its financial system.

He has also found himself embroiled in controversy on a startling array of fronts—from fiscal policy to the running of major Moroccan public enterprises.

Mr Berrada, a genial, slightly greying man in his early 40s, represents a new breed of Moroccan minister. Professor of economic management at Casablanca University and involved with various family businesses, he has surrounded himself with a bevy of talented advisors including no fewer than 10 top academics.

He is unusually outspoken on a whole range of issues in a Government which is not noted for encouraging flamboyance. And he preaches the tenets of economic liberalism with surprising fervour in a country where the state still counts for an awful lot and the market is far from free.

So far, he has been lucky. Much of the groundwork for the debt rescheduling which he completed was done by his capable predecessor, Mr Abdellatif Jouahri. And as he himself has been quick to acknowledge, the recent improvement in Morocco's circumstances owes at least as much to such extraneous factors as the collapse in the price of oil and the exchange rate of the dollar and last year's exceptional Moroccan harvest as to any government measures.

Making the structural reforms which he believes to be necessary for the long term is going to be much more difficult, for all the support such moves will receive from the World Bank and the International Monetary Fund.

As Morocco prepares for the next five-year plan starting next year, Mr Berrada's first target is the tax system, which he says is badly in need of overhaul. Pausing only briefly to acknowledge the fact that Morocco's budget deficit dropped from 12.3 per cent of gross domestic product in 1982 to 6.2 per cent last year, he says baldly: "We still have a deficit. Sooner or later we'll have to reduce it further." And if Morocco is to avoid further damaging cuts in capital spending, that inevitably means broadening the state's revenue base.

Last year, he introduced value added tax for the first time in Morocco—in the process raising a howl of protest from the trading community. Now he is taking aim at the numerous tax breaks which the Government has granted to large sections of society: to farmers, for example, who are exempt from national taxes until the year 2000.

"The sectors which have grown the most are those which are tax exempt," says Mr Berrada. "Tax holidays are very short-sighted. We cannot conduct growth oriented policies if we do not have resources of our own, as opposed to borrowed resources."

Next in the firing line comes *the financial system,* described by one of Mr Berrada's bright advisers as "archaic." The idea is to open up the bourse, which is dominated by several large banking groups, to introduce statutory accounting standards for Moroccan companies and eventually to bring some public companies to market.

Then there is the administration itself—which Mr Berrada believes is much bigger than Morocco can afford. "Every extra person we recruit is an extra blockage on the administration and constraint on the private sector," he observes.

The finance minister has even dared to criticise in public the policies of the state phosphates monopoly OCP—something akin to lesé-majesté in Morocco, where the phosphate company is a world unto itself.

Critics accuse Mr Berrada of spreading himself too thinly, in effect of having too many ideas. There are also those who say he is unpredictable, that he makes too many off-the-cuff remarks without thinking through the consequences or fitting them into an overall policy. But he certainly marks a refreshing change for Morocco.

Andrew Gowers and Francis Ghiles

Banking

Tight control ensures a sounder pillar

UPON BEING appointed governor of Bank al Maghrib, the kingdom's central bank, in 1985, M Ahmed Bennani, who had been, as vice-governor, effectively in charge since 1967, was publicly thanked by the monarch for the manner in which he had shouldered his responsibilities.

King Hassan had good reason to be thankful, for M Bennani had, by his very firm control of the banking system and refusal to print money, avoided what could easily have turned into runaway inflation in the late 1970s and early 1980s, when Morocco was fast running up its foreign debt.

That debt remains, despite the successful renegotiations of the past year or so, a very major handicap as the country tries to unshackle its economy and encourage exports.

"Monsieur le Gouveneur's" mild and extremely courteous manner is deceptive—so much so that many foreign bankers who filed through Rabat, when Moroccan paper was much sought after, did not bother to pay their respects to the central bank, when they bothered to visit M Bennani at all.

Only during the difficult negotiations which led to the rescheduling of the kingdom's foreign debt, between 1983 and 1987, did they discover the iron will that lies behind the courtly manner of the governor.

Moroccan banks fear the central bank, which sounded warnings about the consequences of excessive foreign borrowing in the late 1970s at a time when the Finance Ministry in Rabat, most senior Moroccan officials and the majority of foreign lenders were waxing lyrical about the rosy prospects of the Moroccan economy. As the prices of phosphate rock plunged from the short-term dizzy heights achieved by the mid-1970s, and public investments surged ever higher, little attention was paid to the warnings, which appeared in Bank al Maghrib's annual reports, always a treasure trove for the diligent journalist.

The tight leash of the central bank has ensured that the Moroccan banking system has become one of the sounder pillars of the kingdom.

The banks are essentially split into two groups: development and commercial banks. The first investment bank is expected to be set up soon, a joint venture between l'Omnium Nord Africain (Morocco's largest private company which has an annual turnover in excess of $600m) and Paribas.

The development banks number three: the Banque Nationale du Development Economique (BNDE), created in 1959 and whose major area of investment has been industry; the Credit Industriel et Hotelier (CIH), which finances housing on easy terms, a policy destined to help the managers and technicians to acquire houses and which more recently has begun investing in cheaper forms of housing; and the Caisse Nationale du Credit Agricole (CNCA) which specialises in agriculture.

All three have performed a useful role but will have to guard against creeping bureaucracy. They can now, under new rules passed at the behest of the IMF and World Bank, seek to enlarge what remains a very narrow deposit base. To date, they have depended for their funding on state and international loans—whether it would be wise to engage in such a policy, except where CNCA is concerned, remains an open question.

Among major banks, most have an important foreign stake (never above 50 per cent of capital). With few exceptions, such as the Banque Moroccaine du Commerce Exterieur (BMCE), which was founded in 1959, they were born of the "Maroccanisation" of former French establishments.

- BMCE itself includes among its foreign shareholders Commerzbank, Banco Exterior de Espana, Banca Commerciale Italiana, Societe Generale de Banque, and Banque Francaise du Commerce Exterieur.
- Banque Commerciale du Maroc, which is private, has Indosuez and Credit Industriel et Commercial among its all-private shareholders. When its chief executive, M Abdelaz Alami, asked Price Waterhouse to audit the bank's accounts for the first time, about 10 years ago, his senior managers were surprised—but no longer.
- Societe Generale de Banque has Societe Generale among its all-private shareholders.
- Credit du Maroc has Credit Lyonnais.
- Banque Marocaine du Commerce et de l'Industrie has BNP.
- Societe Marocaine de Depots et de Credit has Paribas.
- Wafabank, which belongs to M Moulay Ali Ketanni, has Indosuez.
- Citibank, Algemene Bank Nederland and a few others have subsidiaries controlled by foreign investments in Morocco. The first is considering whether to open a second branch outside Casablanca—in Agadir, where it might be well placed to take advantage of the boom in fishing, canning and food processing.

Competition between Moroccan banks is fierce, and holding on to their market share has been a prime consideration since 1985. Indeed, that year, and for the first time since independence, deposit rates were higher than inflation. In 1985, banks were paying at least 12 per cent for one-year or long-term money. The consequent rush to put money on deposit forced the banks, after a few months, to turn away depositors. The volume of credit they could extend was tightly controlled, in line with the policy of austerity practised by the state, and hence they did not have the means to earn enough.

Yet, since 1985, deposit rates have not been competitive with the return that Moroccans can earn on state loans. The latter offered interest rates of 14 per cent in 1985, 13 per cent in 1986 and 12 per cent in 1987—earnings here, furthermore, are tax free.

The banks make good profits—but then, with so many lending rates dictated to them by the central bank, and virtually no possibility for medium-size or smaller borrowers to renegotiate the rate at which they initially borrow, that is hardly surprising. The quality of the banks' loan portfolio is impossible to assess with any degree of accuracy, but it appears, at least for the leading establishments, to be good.

The high rates of deposits of the past two years have tended to slow investment, and hence the Ministry of Finance has been able to bring them down. Investment should also be encouraged by the fact that the state is, slowly but surely, paying its arrears to Moroccan companies. State arrears have thus declined from DH 9bn two years ago to DH 6bn.

Today 30 per cent of the 6m Moroccans at work have a bank or post office savings account. That in itself is a good base from which the banks can grow, at least in the towns. Unlike the insurance sector, which has run up deficits estimated at DH 90bn and is riddled with inefficiencies and corruption, the banking sector plays a useful and constructive role. One-third of the 14,000 Moroccans employed in banking have at least their "Baccalaureat," a high rate by the standards of any Moroccan industry.

Another way in which major Moroccan banks have helped the state is in the excellent relations they maintain with their correspondents abroad. These good relations have allowed the country to retain its short-term lines of credit, worth $750m, throughout the protracted renegotiations of the foreign debt.

Its foreign debt will continue to weigh heavily on Morocco's ability to invest. Economic mismanagement in the 1970s, drought in the early 1980s, the heavy burden on a conflict over the future of the Western Sahara: all these factors can be blamed. But the country has achieved extremely favourable terms for rescheduling its debt. Last December, international banks agreed to all principal repayments falling due between 1985 and 1988 to be rescheduled over 10 years with five years grace.

The Paris Club, for its part, agreed to similar conditions applying to that part of the state-guaranteed debt which falls due between last March 1987 and June 30 1988. The Consultative Group, formed under the aegis of the World Bank at last March's meeting, has agreed to lend a further SDR 100m. Meanwhile, over the past four fiscal years, the World Bank has extended loans worth near US$1.688bn to Morocco.

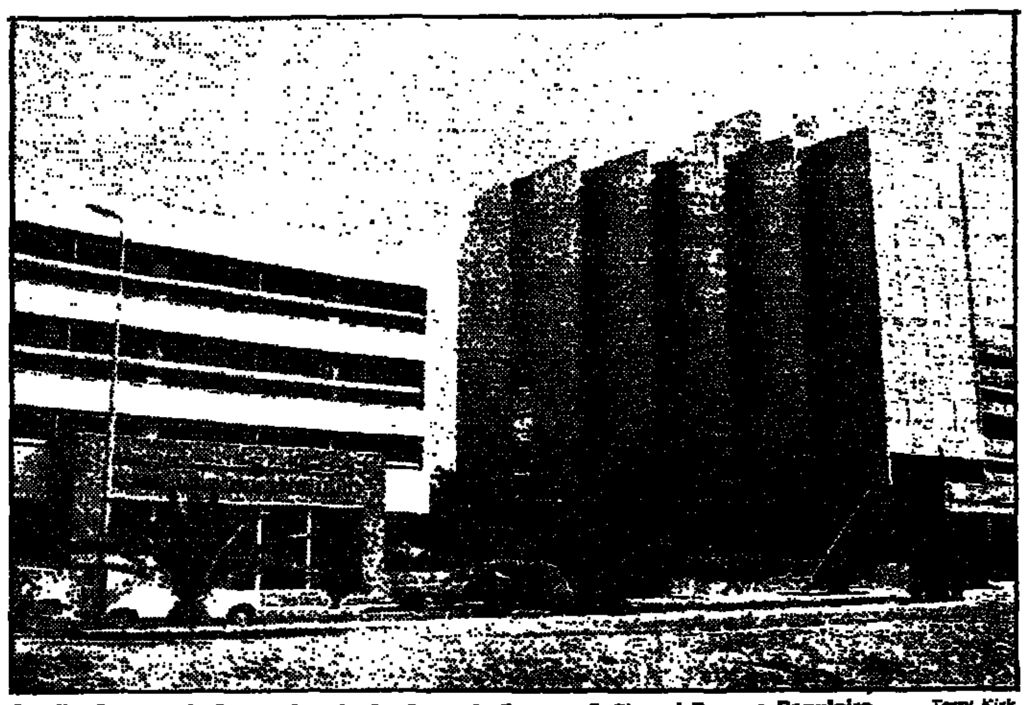
Loans extended by the French Treasury have maturities of up to 33 years, with 12 years grace, and carry 2½ per cent interest rates. Morocco remains the largest beneficiary of such loans. Loans extended by Madrid often carry similar terms. Overall western European countries hove been extremely solicitous of Moroccan needs. *(The only figure in the debt total which it is impossible ascertain is that which concerns the purchase of weapons).*

The devaluation of the Dirham, for its part, has proceeded without major hiccups. However, the currency has in effect been devalued far more against European currencies than against the US dollar. Such a policy indirectly subsidises the imports of sulphur and oil (which cost respectively $200m-300m and $400m-500m last year) and interest repayments on the debt which are running at around $1bn. It does not, however, make exporting to the US any easier for certain Moroccan industries.

Morocco's banking system has developed more harmoniously than some other sectors of the country's economy. Today, the banks can be of great help to those companies that are trying to broaden their markets. Their relations with other international banks have held the country in good standing since 1983.

Whatever happens to the banking sector in the years to come, one feature of this area of Moroccan activity is unlikely to change—that is the central role of the Bank Al Maghrib. As he greeted the King last March, when the new minting and note-printing facilities of the bank were inaugurated, M Bennant displayed the calm assurance of *the happy few who belong to an* exclusive club—that which includes the long-standing governors of their respective countries' central banks.

Francis Ghilès



Agadir: Compagnie Marocaine de Credit et de Banque (left) and Banque Populaire *Terry Kirk*

The Kingdom's pro-Western orientation gives it a particular interest in the EC

Spanish factors in the special-case argument

KING HASSAN has a pet phrase which speaks volumes about why he is currently so upset *with the European Community.* "Morocco is Europe's backyard," he is fond of saying.

Echoing his monarch, Mr Abdellatif Filali, the Foreign Minister, recently declared that Morocco was "part of the West."

Strategically located on Africa's north-western corner, just across the Straits of Gibraltar from Spain, the King has worked hard at casting his country as the natural bridge between Western Europe on the one hand and the Arab world and Africa on the other.

For the past 1,200 years the Andalucian and Moorish cultures have intermingled across the narrow straits, and full membership of the Community would be a logical development as far as Morocco is concerned. About a million Moroccans live permanently within the Community, mainly in France and Belgium, while hundreds of thousands of others, including King Hassan himself, view France as their natural holiday destination.

In the other direction, in recent years Morocco has become an important tourist *destination for sun-starved* Europeans. More than 1.2m of them visited the country last year, a third coming from France.

Since *independence from* France in 1956, Morocco's trade dependency on the former colonial power has lessened significantly. In the two decades between 1965 and 1985, for example, France's share of total Moroccan exports dropped from 44 per cent to 24 per cent, while imports from France also declined: from 38 per cent to just under a quarter.

The decline in France's share notwithstanding, Western Europe *as a whole* is still responsible for two thirds of all Morocco's non-oil imports, and purchases three-quarters of its goods. The psychological *orientation towards France* also remains strong, hampering necessary attempts to diversify into new markets.

Wringing his hands about the lack of alternatives (The US? "It's very difficult for us." Japan? "Too far away and too protectionist." Black Africa? "Enormous risks and no financing system."), Mr Hassan Abouyoub, the Foreign Trade Director, said: "It is so much simpler for our businessmen *when they can just pick up the* phone and speak French". The obvious query over the potential importance of neighbouring Algeria, with which Morocco has been at loggerheads for the past decade, was left unasked.

Leaving aside the question of full membership of the Community—and most officials are realistic enough to know that entry to the club is unlikely to be granted in the foreseeable future—Morocco has called for *special treatment beyond that* being granted to other Mediterranean basin countries following the accession of Spain and Portugal.

What Morocco seeks *is the* preservation of its competitive advantage vis-a-vis Spain, its principal competitor in Western Europe. It's a case which, at bottom, is based more on political and geographic considerations, such as the Kingdom's firm pro-Western orientation and its *strategic* value to the West, rather than on straightforward economic factors.

According to one senior Moroccan offical intimately *familiar with the dispute:* "We don't understand why no distinction is made between friends like us, who share the same values as Europe, and more distant countries.... The fundamental problem," he went on, "is that the European Community treats us as if we were Syria."

Well aware that, if it were to accede to this special pleading, it would be opening up a Pandora's box of trouble from other Mediterranean countries, notably Israel, Brussels has not surprisingly adopted a hard-nosed "take it or leave it" attitude.

An impartial observer might say that, lacking any strong cards, Rabat may well eventually have to settle on much the same terms as are currently on the table. After all, Moroccan interests will not be seriously affected until 1990, allowing time to find new markets for the fruit and vegetables most at risk from stronger Spanish competiton.

But pride has been hurt and, like a jilted lover, Morocco has taken umbrage, raising the prospect of a prolonged period of bureaucratic trench warfare between the two sides. After a year of discussions on the treaty of adaptation required following Spain and Portugal's entry into the Community, negotiations recently came to a halt. Claiming that the accession of the two Iberian countries will cost it 2 per cent of its Gross Domestic Product, Rabat is demanding that the Commission seek a fresh mandate from its member states.

It is a matter of vital national importance, Morocco insists, pointing out that in citrus alone the livelihood of 500,000 families—*equivalent to 3m people*—is at stake. Some two-thirds of Moroccan citrus exports of 650,000 tons are traditionally sold in the Common Market.

As the deadlock deepens, the Commission has refused to discuss a new financial accord; while Morocco, in turn, is openly threatening to compel the EC to finance the rebuilding of the Spanish fishing fleet, from a coastal to a deep sea outfit, by blocking Spain's traditional access to its Atlantic inshore waters. Since Spanish accession to the EC, renewal of a bilateral fishing pact with Morocco, which expires at the end of this month, has automatically become a Commission responsibility.

Morocco is also complaining bitterly that Spain is in breach of the international TIR agreement by refusing to permit its trucks laden with produce for other West European markets to cross Spanish soil. The additional cost and inconvenience of going by boat to France is not so high, but the symbolic importance of the embargo weighs heavily on Rabat.

Moroccan complaints about its treatment at the hands of Brussels are nothing new. In a recent article, Mr Abdelmalek Cherkaoui, Ambassador to the Community, wrote about his country's sense of "disappointment, even bitterness" at the record of the past 10 years. The results of the 1976 trade accord, which gave Morocco associate status, had been a long way short of expectations, he claimed.

Forecasting apocalyptically that the consequences of enlargement would be catastrophic for Morocco, Mr Cherkaoui said that every reduction in that part of the European market currently held by his country would be a gain for Spain.

Underlying all Morocco's current complaints is the all-prevailing concern that the Community's doors are progressively closing on both its agricultural and its manufactured products, mainly textiles and leather goods.

Andrew Whitley

Destination of Trade

Morocco's major trading partners (1985)

	% of total exports		% of total imports
France	24	France	25
Spain	7	Spain	14
West Germany	7	West Germany	8
Italy	6	Italy	6
(UK	3)	(UK	3)
Others	53	Others	44
	100		100

Source: NatWest Market Intelligence

Agriculture

Drought prompts increase in government investment

THOSE MOROCCANS who live outside the towns and till the land still account for just over half of King Hassan's 23 million subjects. Yet they only account for 15 per cent of gross domestic product.

Agricultural produce makes up 25 per cent of all exports, yet it is produced by farm owners whose average age is 55, and 77 per cent of those over 25 years of age are still illiterate. While the large farms, which in Morocco means between 50 and 100 hectares, provide much of what is exported, 70 per cent of all farmers and farm labourers till land strips of five hectares and less.

The rate of growth in the farming sector declined by 2.2 per cent on average annually between 1981 and 1985 as Morocco suffered between 1981 and 1983 the worst series of droughts this century. Though less dramatic and far less reported in the Western media than what was occurring south of the Sahara, the consequences of the drought were severe.

The contribution of farming to gross domestic product which was as high as 20 per cent in 1970 declined to just over 11 per cent on average.

The production of cereals fell despite last year's bumper crop. That brought in nearly 8 million tonnes of cereals while this year no more than 4 million tonnes is expected. The drought forced the authorities to import extensively.

While the sheep and goat herds suffered losses of 5 per cent, the number of cattle dropped from 3.37m in 1980 to 2.36m in 1984, recovering modestly to 3.5m in 1985. The sheep herd was protected by the Sovereign's appeal to his subjects in 1983 to abstain from killing sheep on the Aid El Kebir which marks the end of the holy month of Ramadan.

By severely curtailing the income of the mass of peasants, the drought limited their ability to buy farm machinery, especially new tractors. An increase of 2.4 per cent per annum means that today only 30,000 tractors are in use. The use of fertilisers did, however, progress by 6 per cent every year to reach 714,000 tonnes last year.

The drought has encouraged the Ministry of Agriculture, under Mr Othman Demnati to battle hard to increase the share of government investment going to the farming sector. That share, which had reached as much as 22 per cent in 1968-1972, had fallen as low as 7 per cent last year but many observers in Rabat believe it will increase in the course of the next five-year economic plan which the Government will submit to Parliament in the autumn.

The ministry has pursued its longstanding policy of building one new dam every year and extending the irrigated areas which today represent at least 10 per cent of the 8m hectares of arable land in the country (amounting to 11 per cent of all land) by having wells sunk and small pumps installed.

Regions like the plains around Beni Mellal, north-east of Marrakesh are prospering and do not only offer work to those farmers and labourers who reside there. They also attract people who live on the surrounding "bours", or non-irrigated land, who increasingly complement their very modest income by helping with the harvest crops grown in the irrigated area. Here at least around the large irrigated zones, a better balance between different groups of farmers is slowly establishing itself.

Progress has also been made where pesticides are concerned although their use tends to be limited to areas of intensive, rather than cereals, farming.

Providing farmers with higher quality seeds and improving the health of the herds also comes into the picture but popularising new methods is not made easier by the very high rate of illiteracy.

The decision taken by King Hassan in 1984 to exempt the farming sector from all taxes until the year 2000 was a dramatic gesture which has undoubtedly helped to focus attention on the problems of farming and attract investment back to the land.

Although such a tax holiday fails to discriminate between richer and poorer regions, let alone farmers, Moroccan officials are quick to point out that the old agricultural tax cost more to levy than it yielded, and assessing how profitable a farm is remains a difficult exercise.

They add that the Ministry of Finance has so far failed to get even the private industrial sector to pay the taxes it nominally owes the Exchequer and that since independence, not only has the surplus from the land been used to finance industry and building in the towns, but that the latter have enjoyed extremely cheap surplus labour, from the land and cheap food.

The King's gesture was meant to send a signal. Farming must now be treated as a priority.

Until the late 1960s Moroccan production of cooking oil covered 38 per cent of the country's needs against only 15 per cent today. The cereal deficit concerned essentially soft wheat, whose production did however increase by 80 per cent last year. But the Moroccan farmer still favours hard wheat and barley, the two crops he has grown for over a 1,000 years. The growth of the cities is changing the food consumption pattern faster than the behaviour of the small farmer.

Increasing the output of cereals is no easy task as the extreme division of property, lack of mechanisation and irrigation, not to mention the low level of education, all conspire to slow progress.

Fruit and vegetables pose no problem as they are exported in large quantities and remain plentiful in the local market.

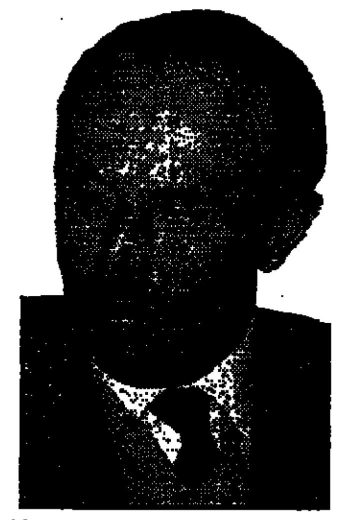
The slow rate of growth of the farming sector since 1970 is amply demonstrated by the fact that up to then exports of farming produce doubled the value of imports of foodstuffs. Today that proportion has been more than halved.

It is that relative decline, whose consequences have been aggravated by drought and have been so damaging to the economy that the King sought to redress by giving his farmers such a long tax holiday.

State investment in agriculture (DH bn)

	1968-72	1973-77	1978-80	1981-85
Forecast	2.29	2.85	3.54	14.51
Realised	2.28	4.35	4.26	7.94

Source: Ministry of Agriculture, Rabat.



Mr Othman Demnati: battling hard

Easier access to credit is one of the means the authorities hope will help farmers. The Caisse Nationale de Credit Agricole (CNCA) has altered its lending policies, increasing the maturities of the loans it extends to 20 or 25 years, setting up many more agencies and widening the net of those eligible to borrow.

But it is faced with the constraint that it has a weak deposit base, DH1.1bn, to set against its lending which amounts to four times that figure.

The CNCA is hoping to strengthen its deposit base and thus become a "true" bank. This would also allow it to help finance food processing and canning ventures. If it travels down that road, which is what its newly appointed Director General, Mr Rashid Hadaoui is convinced it will, the CNCA will be following in the footsteps of its better known French counterpart.

To help farmers further, it was recently decided that all customs due and other taxes on many inputs and machinery used in farming should be lifted. Investing more in downstream activities such as stocking, processing and distribution are also part of the policy.

The hopes invested in the next Five Year Plan stand little chance of being realised however if the prices paid to farmers do *not* increase. In real terms today's prices are hardly above those paid 17 or 18 years ago. Yet as subsidies are cut on staple foodstuffs, in keeping with the readjustment policy agreed with the IMF, can the Government afford to allow price rises in the towns without risking social unrest?

If Moroccan farming is to be given the chance it deserves the answer must be yes.

Francis Ghilès

Phosphates

Debate about expansion plan

THE POWERFUL director of Morocco's state phosphates monopoly and its most important industry, Office Cherifien des Phosphates (OCP), Mr Mohammed Karim Lamrani, is a man of seemingly unshakeable confidence.

The world phosphate market is in a terrible mess. Prices are chronically depressed; sales of fertilisers, which account for the lion's share of phosphate consumption, are largely stagnant; and no end to the industry's huge problem of excess production capacity is in sight.

Morocco, as the world's largest exporter of phosphates, has suffered as much as anyone. OCP's sales, which account for more than 40 per cent of Morocco's export earnings, have dropped in the last couple of years; and it is saddled with large and expensive quantities of unused plant and heavy debts after an investment binge in the late 1970s and early 1980s.

Yet the 68-year-old Mr Lamrani, who for 20 years has towered over the affairs of OCP and has also served as prime minister twice since 1970, seems quite undaunted. On the contrary: far from worrying about over-investment in the past or under-performance in the present, he wants to mount another big expansion and borrowing programme in order to cement Morocco's leading position in the world phosphate industry.

His case is easy to understand: Morocco, together with the Saharan provinces over which it claims sovereignty, possesses almost exactly three quarters of the world's phosphate reserves—deposits with rich mineral content in comparison with those in the US, Morocco's arch rival on the world market.

In order to capitalise on that near-monopoly and obtain the maximum value from these resources, the argument goes, OCP needs to invest in mines and in downstream industries to process phosphate rock into phosphoric acid and fertilisers.

The time to do that is during a slump, when other producers are shutting down, rather than a boom. The eventual aim—within, say, 20 years—is nothing less than a world market share in line with Morocco's share of world reserves.

Meanwhile, a debate is underway at the highest levels of the Moroccan Government which strikes at the root of the company's policies for the last 15 years. The trouble arguably started in 1973-74, when—with a sideways glance at a tight world phosphate market and at the success of the Organisation of Petroleum Exporting Countries (Opec) in raising oil prices—OCP contrived to raise the price of its phosphate rock no less than fivefold, from $14 a tonne to $68.

The results were disastrous. The full increase could not hold, and OCP was forced to cut its prices below $40 a tonne. Worse still, Moroccan exports tumbled by nearly 30 per cent in 1975 as other producers—notably the big mines in Florida—undercut OCP. Meanwhile a host of other Third World producers—Togo, Senegal and Jordan, for example—were encouraged to bring their own deposits on stream.

The market has never been quite the same again, since the new marginal producers—with their pressing need for foreign exchange—have continued to export at almost any price.

True, Moroccan exports resumed their growth path, rising by 11 per cent a year between 1976 and 1978 as world phosphate consumption was stimulated by a boom in agricultural production in the industrialised countries.

Buoyed up by this improvement, OCP published a hugely-ambitious five-year development plan in 1980 calling for total investments of some $5bn. The idea was to raise mining capacity towards 50m tonnes from around 24m tonnes, to extract uranium as a by-product from phosphate rock, and to build large phosphoric acid and fertiliser installations as well as ports, rail links power generation facilities. The centrepiece was to be the all-new complex at Jorf Lasfar on the coast south-west of Casablanca.

In practice, however, things turned out rather differently. No sooner was the ink dry on OCP's plans than the market began to turn against it once more. Moroccan phosphate exports fell by more than 8 per cent in 1980. World prices continued to sag as stagnating phosphate fertiliser demand collided with increasing capacity. The Moroccan company was forced to scale back and defer some of its investment plans, and in the end spent less than half the planned amount.

OCP's rock production capacity from the existing mines at Khourigba, Benguerir, Youssoufia and Bou Craa is now estimated at about 32m tonnes, though production totalled only 21.4m tonnes last year. Exports have been even more disappointing, running at only 13.7m tonnes of rock worth DH3.84bn in 1986, more than 7 per cent down in volume and 20 per cent down in value on the previous year. Local sales for processing into acid and fertiliser, have increased sharply, but Jorf Lasfar is believed still to be working at only half of its capacity, while its port is hardly used at all.

Stocks of ore at the mines are large. Prices are hovering stubbornly at present around $30 a tonne, compared with $35 in 1985 and $33 in 1986.

As a result, OCP can hardly be making a very good return on investment. Precise figures are impossible to come by, since the financial relationship between the company and the state is shrouded in obscurity. But one indication is provided by the fact that OCP paid no dividends or corporate taxes last year.

Office Cherifien des Phosphates

	1985	1986
	(Tonnes m)	
Exports	14.79m	13.70
Production	20.99m	21.40
Local sales	5.82m	7.59
Value of rock exports	DH4.82bn	DH3.84bn

Source. Financial Times Estimates

The tone and volume of the criticism has been growing markedly in recent weeks and, what is both new and significant, the debate has burst into the open: Mr Mohammed Berrada, the present finance minister, astonished a group of top businessmen and economic journalists several weeks ago by delivering a sharp attack on the company's policies—the first time anyone can remember that such views had been aired in public.

The complaints revolve around the following themes:

- **Investment.** OCP is widely accused of having over-invested in grandiose projects during the 1970s and early 1980s on the basis of excessively optimistic forecasts about the world phosphate market. The programme has certainly left it with large debts, accounting for a significant, though unquantifiable, proportion of Morocco's overall foreign debt. OCP has hardly begun paying back these borrowings.
- **Pricing and marketing.** A major criticism is that OCP — in which all the sales decisions are taken by Mr Lamrani himself — has never learned from the mistakes of 1974 and has consistently set its prices too high. As a result, the argument goes, Morocco has blunted its capacity to compete and left room for other producers to undercut.
- **Management.** Critics allege that OCP is run like a state within the state. They say its direction is too centralised in the hands of one man — Mr Lamrani — and insufficiently accountable to the Government which owns it.

The organisation's board, consisting of a bevy of Cabinet ministers who are not in a position to seriously discuss OCP's affairs, meets but once a year; requests for information from it or from outside bodies like the World Bank tend to be greeted with obfuscation or a plain stone wall. And when Mr Lamrani returned to the job of Prime Minister as well as OCP director, between 1983 and 1986, decision-making ground to a virtual halt.

A number of senior people within the organisation have registered their frustration over the past few of years by resigning—most recently, its commercial director, Farouk Chaouni, who quit at the beginning of this year.

It is against this background that Mr Lamrani is pursuing his campaign for yet more investment. He is talking of spending up to $3bn on doubling the capacity of Jorf Lasfar, and has already informally approached foreign friends such as Mr Jacques Chirac, the French Prime Minister, with a view of obtaining funds.

He wants to go into more sophisticated downstream products with a factory to make superphosphoric acid, principally for the large Soviet market. And he is planning a new mine in the Benguerir deposit.

The mine project, known as Sidi Chenane, may well proceed on the grounds that it is necessary to replace another one that is close to exhaustion.

Over the other plans, however, there are some big question marks. Senior Moroccans are asking whether it is worth pouring good money after bad without a fundamental change in OCP's pricing policies and management structure.

Mr Lamrani is apparently not to be swayed. He is convinced that in the long run Morocco's enormous phosphate reserves give it the capacity to outlast the competition, ride out the recession, and emerge with an unchallengable domination of the world market.

Andrew Gowers and Francis Ghiles

Fish industry

Strong growth as facilities are updated

OVER THE PAST six years Morocco has increased the value of its exports of fish five-fold to around DH 2.4bn. Meanwhile in 1986 the catch amounted to 591,000 tonnes, as against 322,000 in 1980. Today fishing provides 83,000 jobs, directly and indirectly while domestic consumption of fish has doubled.

All these figures speak of rapid growth and suggest that the Kingdom has now taken the measure of the wealth which lies along its long Mediterranean and Atlantic coastline where some of the world's richest fishing grounds are to be found.

Until the 1970s Morocco had, despite the once much feared privateers who operated out of Rabat and its twin town of Salé, historically turned its back on the sea. The great imperial capital of Fes and Marrakesh were symbolic of the thrust of successive Sultans towards the Kingdom's hinterland. So much so that foreign ambassadors were obliged, until the French protectorate, to reside in the northern port of Tangier.

The on and off occupation of various Moroccan ports by Portugal, Spain and the United Kingdom (Catherine of Braganca brought Tangier in her dowry when she wed King *Charles II) after the Moslem* retreat from Spain at the end of the 15th century also helps to explain Morocco's lack of interest in its long seashore.

A number of problems do however confront the Moroccan authorities as they seek to develop this promising sector, quite apart from the difficult fishing agreements with Spain and Portugal which it is currently negotiating with the European Community.

Some 90 per cent of Moroccan fishermen operate along the coast in small boats yet over half the value of the total catch and the lion's share of exports is provided by the 200 ship freezer trawler fleet based in the Canary Islands, at Las Palmas. The modernisation of Moroccan ports such as Agadir or the building of new ones such as Tan *Tan is a recent development.* Thus Morocco still lacks a good network of frozen storage units and large scale ship maintenance facilities.

Omnium Marocain de Peche one of the largest Moroccan companies does have a large integrated cold storage and processing plant in Tan Tan which remains very much underused pending the return of its high seas fleet from Las Palmas.

Existing canning units meanwhile are severely under-utilised as pointed out in a recent study by the International Trade Centre. Out of 84 units, 18 are virtually closed, 23 only working at 25 per cent capacity and a further 43 only at 35 per cent.

This results from another development which has compounded the difficulties of coastal fishermen in recent years. Sardine shoals in particular have moved towards the south. The same report notes that the sardine catch landed at Safi and Essaouira was more than halved between 1983 and 1985.

Helping the mass of small fishermen is thus a priority which King Hassan has entrusted earlier this year to the Caisse Nationale du Credit Agricole.

Overall, 1986 recorded good progress. The coastal fishing catch increased by 100,000 tonnes to 445,000 tonnes while value increased by one fifth to DH 787,000. *High seas catch of* white fish and cephalopods landed in Las Palmas dropped by one third to 51,700 tonnes while value declined from DH 1.07bn to DH 965,000.

Large squid are usually sold to Japanese merchants while other cephalopods and white fish go to Japan, Spain and Italy. A new category of catch, frozen sardines made its first appearance in 1985.

Last year's exports of fish recorded a twentyfold increase in frozen fish, a category which is destined to develop fast but how accurate the overall statistics are remains open to doubt. Indeed Moroccan fishermen still sell a lot of fish directly to foreign vessels as it fetches a much higher price than if they land it in Moroccan ports.

Together with foreign vessels fishing illegally in Morocco's *200-mile exclusive economic* zone it was estimated in 1983 that the Kingdom was losing roughly $1bn a year. Even if that figure today overestimates the extent of losses to the Moroccan economy it does suggest how much the country could gain.

Bringing in the catch near Salé, on the Atlantic coast

Demand for fish abroad remains strong and the high seas fleet has been substantially modernised in recent years. Last year Moroccan shipowners had about 50 boats on order while 16 new vessels were registered in 1986.

Despite the profitability of this sector many fishing companies have failed to maintain payments on ship loans. Much of the financing has come from Spanish suppliers guaranteed by the Moroccan Government which has now been rescheduled along with Morocco's other official debts.

But such credits are now exhausted and Moroccan banks remain reluctant to finance *large ship construction* projects. Japanese companies have also been hit by similar problems, a situation which has led some Japanese companies which were considering joint projects to abandon the idea.

However Morocco is still very short of patrol boats which are necessary to try and stop the illegal fishing by unlicensed vessels of many nationalities off the western Saharan waters.

The coastal fleet for its part concentrates on fishing white fish, cephalopods and crustaceans, which in 1985 provided 11 per cent of tonnage but 50 per cent of value.

The informal nature of this sector makes the protection of threatened stocks particularly difficult to monitor. A large amount of what is fished here is exported fresh to Spain.

The repatriation of Morocco's *fleet from Las Palmas* and the entry of Spain and Portugal into the EC makes for a very uncertain marketing situation. Moroccan officials expect traditional traders to follow the high seas fleet to Morocco but the latter has an obvious interest in increasing the share of fish processed and packaged domestically for export.

Morocco's agreement with Spain which expires this year has given an annually decreasing number of Spanish trawlers the right to fish in Moroccan waters at a cost of £300m every year. Commercial and concessional credits worth US$550m were extended in 1983, thus allowing Spain to sell ships and participate in the extension of the port of Agadir. But the Spanish point out that other non-civilian items were also purchased.

The Kingdom also has a limited agreement with Portugal and agreements on technical *co-operaton* with the USSR, the US and Japan.

In 1984 the Office de Commercialisation et d'Exportation lost its export monopoly and now simply acts as a watchdog on quality and product grading.

The development of the fishing sector can be counted as a success—since 1980, in sharp contrast to an earlier very speculative attempt in the 1970s. The problems Morocco confronts are manageable if the will to reorganise traditional procedures and facilitate the task of those who wish to export remains.

Improving the financing and management of the coastal fleet will for its part provide new jobs and make a useful contribution towards the goal of food self sufficiency.

But the authorities would do their *country's* reputation abroad no harm by putting far greater pressure than hitherto on those Moroccan companies which have not paid for the ships they bought four or five years ago to start repaying their loans.

For successful companies to discard such a fundamental point is to make nonsense of the attempts currently underway to unshackle the Kingdom's economy.

Francis Ghilès

Value of fishing exports (DH 000)

		As % of foodstuffs exports	As % of total exports
1980	486,413	18.1	4.9
1981	1,014,825	32.7	8.3
1982	962,962	30.9	7.5
1983	1,439,628	37.8	9.6
1984	1,842,000	41.9	9.4
1985	2,253,187	—	—
1986	2,860,552	—	—

Moroccan fishing catch (DH 000)

	1980	1982	1984	1986
Coastal fleet	164,240	413,897	555,400	787,501
High seas fleet	260,000	524,620	1,146,400	1,654,903

Textiles and leather

High textile investment

FOR CENTURIES the word Morocco was synonymous with fine leather, so much so that in France, "Maroquin," the briefcase carried by ministers still means a ministerial portfolio. Yet by the time it achieved independence from France three decades ago Morocco had long ceased to be an exporter of significance.

Today, however, the Kingdom's leather and textile industry continues on a path of rapid growth, offering the best hope in the manufacturing sector for increased exports.

Clothing exports alone progressed by 28 per cent last year to Dirhams 1.67bn, encouraged by the devaluation of the Dirham, a liberalised trade regime and duty free access to *the French market* for trousers and shirts. To consolidate this success the Moroccan textile sector will however have to overcome a number of problems.

Total turnover of leather and textiles goods amounted to Dirham 60m in 1960. By the *beginning of last year, that* figure was well over Dirham 8.3bn with about two-thirds of all manufacturing concentrated in and around Casablanca. Those *families* whose companies now dominate this sector often come from Fez, the old imperial capital where they were prosperous traders.

Today the Kettanis, Sebtis, the Alami Tazis, the Bouftas and the Sekkat run large holding type companies but beyond the hard core of sophisticated modern manufacturers, all of which belong to the 320-strong Association Marocaine des Industries Textiles (Amit) exist over 800 textile companies whose investment and disinvestment are not always reflected in official statistics.

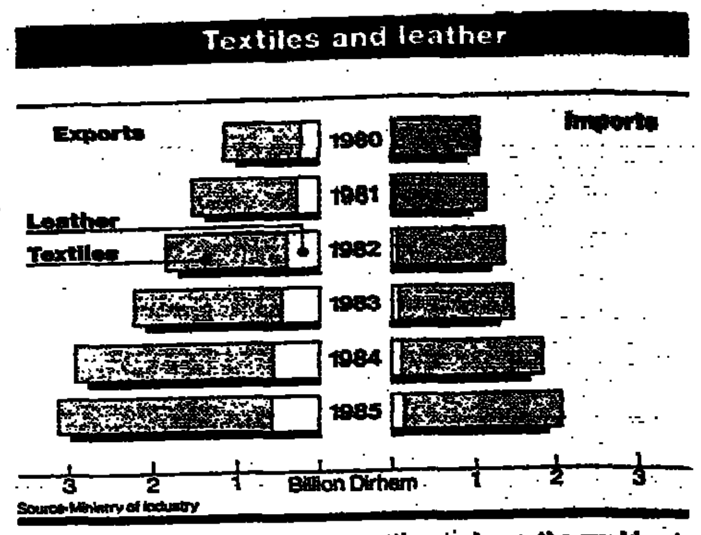
The textile and leather sectors employs roughly one-third of all Moroccans working in the *manufacturing* sector with about 10,000 to 12,000 new jobs being created every year. By the end of 1986, the sector employed 100,000 people. Labour costs are estimated to run between $4 and $5 a day but while that may be lower than say South Korea, so is productivity.

Lack of qualified labour, together with lack of production incentives, poor factory lay-outs and high turnover of personnel do little to encourage productivity.

An agreement has been recently signed by the Moroccan Government with an Italian textile organisation to create a training institute in Tangier, with financial support from the Italian Government.

Clothing producers whose exports still depend by up to 90 per cent on imported materials for their domestic production of *fabric and yarns are protected* until next year by import restrictions but they often fail to match export prices and quality standards, a state of affairs which markedly reduces the net foreign currency income from the sector as a whole.

The level of investment in new textile factories and machinery remains high however with machinery exports alone, mostly from the EC and Japan running at US$25m last year. This equipment will however require a much higher degree of mainte*nance, and hence better staff* training than at present exists, if productivity is to increase.



Another question which needs to be addressed surrounds allegations that family ties among cloth producers makes prices for the protected *domestic market twice* as high as world prices for equivalent stuff.

Ready-to-wear clothing accounts for the largest volume of exports but local added value remains low since the bulk of materials are imported. Many companies are sub-contractors supplying cheap labour to European manufacturers from France, *Belgium and the* Netherlands.

The most interesting feature of Moroccan exports, apart from its very heavy dependence on France which absorbs over half of all clothes and leather goods exports, is that many major European brands are turning to the Kingdom to sub-contract or canufacture under licence.

Christian Dior, Pierre Cardin, Louis Vuitton, Bennetton, Cacharel, Daniel Hechter, Emilio, Fendi and Eminence have joined an ever lengthening list, proof enough that Morocco can manuacture high quality goods. Where leather clothese are concerned, Morcco now produces shoes (800,000 pairs exported every year), fine clothes notably for Pierre Cardin and a mass of handbags, belts, purses and the like.

The leather industry is however having to face the constraint of spiralling raw hide prices, the consequence of the intermittent drought which hit the country between 1979 and 1984. Here again, the consequences were all the more keenly felt by the mass of small cottage industry-type companies whose size and lack of management make them particularly vulnerable.

While large tanning units now exist, much remains to be done to improve the way in which *hides are collected.*

Exports of leather clothes are running above Dirhams 250m a year and the styling, at least in those companies which are well-managed like Coroc quite remarkable. Moving upmarket is a necessity, both where leathers and textiles are concerned.

Profits abroad are much higher (EC quotas are so far non-existent). Even more important for the future is the marketing of high value added goods which means imposing better management; more highly trained and stable staff, lear*ning a foreign language other* than French—in other words getting to know the world outside Paris in place of a too restrictive view of the world.

EC quotas of duty free entry of Moroccan trousers and shirts, which were overshot in 1986 have been increased by 20 per cent for 1987 and 1988 but the concentration on France (75 per cent of all Moroccan clothing and knitwear exports) is potentially very risky. Outside the EC, Iraq and Libya which have *traditionally been big buyers* of Moroccan clothes are today less attractive while only a handful of companies have dared to take on the US market.

Some Far East companies have *recently been investigat*ing the possibility of using Morocco as a base to manufacture and export to the US thus avoiding the quotas under which they labour, but nothing concrete appears to have happened as yet.

The textile and leather sector also faces another problem, which is not unique in Morocco but is all the more keenly felt because of the dependence on imported raw materials and other inputs. Amit members are bitter about the delays in foreign currency disbursements by the central bank, Bank Al Maghrib.

Delays of up to 75 days make letters of credit more difficult to confirm and have resulted in *some foreign suppliers cutting* off their Moroccan clients. Since the end of the winter, however, exports have been allowed to discount their hard currency accounts through domestic banks to pay off their foreign suppliers. This is an expensive operation, which adds about 20 per cent to costs and also imposes detailed bookeeping. That however may not be such a bad departure.

Morocco has today a viable industry which can grow further, thus providing much needed jobs and earning foreign exchange. For this to happen however a number of challenges need to be met.

If they are, Morocco should be in a position to improve the current one to five ratio of textile and machines imports to exports and compete more effectively with other Third World exporters of clothes and leather goods.

The importance of this sector which accounts for virtually all of the Kingdom's consumer goods exports, and 17 per cent of all exports cannot be over estimated.

Francis Ghilès

Tourism

Better marketing needed

IN 1985 Morocco's hard currency earnings from tourists increased by 45 per cent to US$610m, thus confirming the sector as the second largest earner of receipts from abroad after remittances from Moroccan workers in Western Europe which earned the Kingdom nearly $1bn.

Despite an increase in receipts, last year proved somewhat disappointing as the figure for foreign visitors which reached 1.56m the year before dipped to 1.47m. Although the 1985 results were viewed in Morocco as somewhat exceptional the question remains—why has a country which boasts such a wealth of spectacular scenery, very fine traditions in architecture, cooking, crafts such as pottery, carpet weaving and wood carving not to mention music, failed so far to attract more tourists than Tunisia, its small North African neighbour whose scenery and traditions, however attractive, would be hard put to rival those of the oldest Kingdom in the Moslem world?

Until the Treaty of Fes established the French and Spanish protectorate in 1912, Morocco was as closed and unknown to foreigners as Tibet. The country had been an independent Kingdom since the arrival of Moulay Idriss, a grandson of the prophet Mohammed in the 8th century AD.

This independence has been fiercely guarded until the inevitable decline of a closed society that was reluctant to accept new ideas, led to growing foreign interest and at the beginning of this century to colonisation.

Being cut off from the outside world did however offer the great advantage of preserving, far more than elsewhere in North Africa, old traditions.

The other side of the coin, however, is that until very recently Morocco has not been as successful at marketing itself abroad as might otherwise have been the case. Beyond the magnificent hotels built after the First World War (the Minzah in Tangier arguably the best hotel in Morocco), and the Mamounia in Marrakesh (both beloved by Winston Churchill) few hotels were built until after independence and today Morocco boasts only around *90,000 beds, that is less than in* its other North African competitor, Tunisia.

The figure of 100,000 is due to be achieved in 1989 and 20,000 new beds are currently in preparation. The list of foreign funded projects looks impressive.

Last year the flow of visitors was hit by the side effects of Middle Eastern politics, notably the bombing by the US air force of the Libyan capital of Tripoli which more than halved the numbers of US visitors (down to 38,700).

The number of visitors from the Middle East declined by one third from the previous years figure of 202,500. This was a consequence of Morocco's decision to impose visas on all visitors from Arab countries, for reasons of security.

The number of European visitors increased by a modest 6.4 per cent to 1.223m. While the number of visitors from France, West Germany and the United Kingdom declined by 8,000, to 393,800 the length of their stay in Morocco increased. The number of Spanish visitors rose by 44.4 per cent to 286,000.

Whether this increase in visitors from across the Straits of Gibraltar is a temporary phenomenon is as yet uncertain.

Agadir alone which functions all year round accounts, for 22 per cent of all hotel beds in the Kingdom and 40 per cent of all foreign receipts from tourists.

According to Lamalif, a lively monthly publication based in Casablanca, the local hotel managers travel agents and other professionals who gravitate around the sector were quick to diagnose the problem they confront.

The review quoted Mr Alami, the much respected director of the PLM-Dounia chain of hotels, as saying that over the years the services the hotels offered had not changed to take account of foreign visitors.

Local infrastructure had not been modernised, and maintenance of hotels was often a problem. The wonderful beaches were dirty. Night life was non existent apart from some degraded forms of folk dancing.

Porters at the airport, taxi drivers and "guides" (that festering wound of some Moroccan cities) were so aggressive that they often put first-time visitors off.

Other visitors were turned back from hotels where they

Continued on page 7

Foreign investment

Frustrations face investors

BY RIGHTS, Morocco ought to be a real haven for foreign investment. Labour is cheap and disciplined; the infrastructure is relatively well developed; the country is abundantly endowed with resources; and above all, it is close to the lucrative markets of Europe.

What is more, the Moroccan authorities have been attempting to capitalise on these natural advantages in recent years with what is, by the standards of developing countries, an extremely liberal policy on foreign investment.

Since 1983, when the country's current investment codes were introduced, a range of sectors from tourism to textiles has been open to foreign capital on the same basis as it is to Moroccan investors.

In theory at least, foreign companies investing in Moroccan industry are entitled to repatriate capital and dividends without limit and they are exempted from a number of taxes and duties. Investments in tourism benefit from even more generous incentives.

Yet foreign investors have so far proved frustratingly slow to respond to all this official encouragement. From industrialised countries in particular—as opposed to the Arab world—capital is coming in at the rate of a trickle rather than a flood.

To be sure, the foreign presence is rising, both in absolute terms and as a proportion of total investment. But the increase is from a low base, reflecting the depressed level of overall investment in recent years. Last year, according to figures from the commerce and industry ministry, a quarter of all industrial investment came from abroad.

Foreign investment in industry totalled DH 880m, compared with only DH 415m, or 16 per cent of the total, in 1985. Growth was particularly strong in food, which saw foreign investment rise fourfold.

Nevertheless, there is little doubt that the figures are not as exciting as they could be. Why?

One reason has to be a lack of promotion. Senior officials admit that the Government has not been assiduous in courting foreign investors in the past.

But there a number of more fundamental explanations. Some would-be foreign investors may have hesitated because of residual doubts about Morocco's political stability. Others worry about the lack of clarity in the country's financial system, the highly personalised way of doing business, and the lack of statutory company audits.

Many foreign businessmen are still scarred by the experience of "Moroccanisation" in 1973, when the Government summarily decreed that companies operating in a variety of central economic sectors should be at least 50 per cent Moroccan-owned and managed.

The law caused a mass exodus from the French business community, as many of the top businessmen sought to sell their stakes in Morocco. Many of those who stayed found themselves in enforced partnership with Moroccans who had little business experience, and the companies suffered in consequence.

In recent years, the Government has sought to overcome the sour taste left by the Moroccanisation law, but it remains in effect across a large swathe of the economy, inhibiting foreigners from investing in some of the most potentially dynamic areas—fish canning, for example.

Only Moroccans are allowed to own agricultural land, a fact which is almost certainly limiting the amount of foreign interest in the country's food industry.

In any case, the performance of the Moroccan economy in the years after 1980 — with drought and recession — did not exactly inspire confidence, either within the country or abroad.

"People are consolidating their position after four very difficult years," said a leading accountant in Casablanca. "Foreign investors are taking a wait and see attitude."

Ministers and officials agree that foreign investors cannot be expected to place funds in the country if they do not see Moroccan nationals investing themselves. "The best form of promotion is the success of companies within the country," said one official.

"There's been a perception in the past that nationals were not investing," added a senior minister. The Government hopes that at least some of these reasons for caution have begun to disappear. The economy is looking a lot healthier. The Moroccan private sector is being encouraged to play a more prominent role and the authorities are talking seriously about professionalising and modernising financial structures.

There is little doubt of the Government's sincerity in trying to create a more favourable climate for the private sector. Ministers are comforted by the evidence that foreign investors are beginning to follow Moroccans in putting money into the most vibrant sectors of the economy, such as tourism.

They can also draw some consolation from the thought that a new generation of Moroccans is growing up with far more knowledge of how the business world works.

Even taking account of these promising developments, however, there is another set of obstacles to investment which towers above all the others. It can be summed up in one word — bureaucracy.

Everywhere one turns, the complaint is the same: the pace of business is being slowed down, and often choked off altogether, by the requirements of one government department, or delays or corruption on the part of another.

Stories abound of companies which wanted to invest in Morocco but were put off or lost patience. There was the electronics company which wanted to set up a new plant in Tangier but was instructed to choose a site in El Jadida because that happened to be a minister's home town (the investment did not proceed and the minister in question was sacked).

Then there was the food company planning a powdered milk plant which was suddenly surprised by a demand that it pay 19 per cent VAT despite nominal exemption in the investment code.

Part of the problem stems simply from a plethora of regulations — often petty, and frequently quite opaque to the outsider. Detailed information on the rules is notoriously difficult to come by.

Businessmen find dealing with slow-moving bodies like the exchange control office, which has to approve any inflow or outflow of funds, tedious in the extreme. At a more fundamental level, would-be investors are baffled by the proliferation of government departments they have to deal with.

There has been talk once again in recent weeks of setting up a (one-stop) government office for foreign investors as some other countries have done — notably Tunisia. This would probably be centred on the minister for economic affairs in the prime minister's office and involve people from the private sector as well as representatives from other ministries.

It has to be said that there are powerful vested interests which may work against the success of any such system in practice. But foreign businessmen and diplomats are unanimous in affirming that unless the problem of an overwhelming bureaucracy is addressed, Morocco will never realise its full potential for investors.

Andrew Gowers

Foreign investment

Sectors	1985 DH000	1985 % of all investment	1986 DH000	1986 % of all investment
Food processing	88,061	13	279,899	29
Textiles and leather	83,603	11	120,655	12
Chemical industry	149,837	21	231,625	29
Mechanical industries	108,505	27	210,500	40
Other	16,173	—	281,452	13.5
Total	451,179	16	880,320	25

Source: Ministry of Finance, Rabat

Foreign investment in the tourist sector

Project	Value (DHm)	% capital from abroad	Foreign investor
Farah Maghreb Chain	600	94	CMKD§
Somako Hotels‡	200	50	Koweit
Kabila†	225	50	Spain
Sheraton‡	300	100	Abu Dhabi Fund
Forum International	1,510	100	Saudi Arabia
Marsa Smir‡	440	100	Interdec
Cigitour*	1,050	100	Portugal
Jet Tour*	80	50	Jet Tour (France)
Club Mediterranee	70	100	France
Euro-Arab Project*	US$400m	100	Norwegian-Arab
Matboult*	800	100	Saudi Arabia/Spain

* Project under study. † Project agreed by Moroccan authority. ‡ Partly completed. § Consortium Maroco-Koweitien de Developpement.

Source: Ministere du Tourisme, Rabat, June 1987

Profile: Société de Fabrications Radiolectriques Marocaines

Favourable labour rates

MOROCCO MUST be one of the least likely places to find a plant putting together semiconductors. It has no indigenous computer industry and a workforce with limited technological skills.

Yet Thomson, the French electronics group, has been running its operation in Casablanca for the last 13 years. The semiconductor assembly plant, owned by Thomson affiliate Société de Fabrications Radioelectriques Marocaines and employing 1,400 people, is one of the biggest foreign-owned establishments in Morocco and among the country's top exporters.

It is also a prime example of subcontracting, in which a foreign multinational takes advantage of cheap Moroccan labour to carry out jobs which have simply become too expensive at home. Such arrangements are relatively common in the Moroccan textile industry. But SFRM's youthful director, Mr Guy Leonard, believes Morocco could do a lot more of this type of business across a wide range of activities if only the country's bureaucracy were less burdensome.

"It could be seen as a surprising thing to go to Morocco," he says. "But we have simply done the same as many other semiconductor manufacturers—move to where the labour costs are low. I believe Morocco could attract many industries from Europe that have heavy manpower costs."

The calculation is simple. To employ a woman operating a machine in Morocco costs one tenth of the rate in France. Mr Leonard reckons it is worth moving if labour accounts for more than 20 per cent of the total cost.

Thomson has in fact been in Casablanca since 1952, but it only started making semiconductors there in 1974.

In many ways the plant operates as an integral part of the Thomson network in France, and will continue to do so within the United Semiconductors joint venture now being set up by Thomson with SGS of Italy. Parts are imported from France, and all the products go by air to Thomson operations at Tour or Aix-en-Provence, though 75 per cent are re-exported from there. None the less, the plant generates an estimated DH 140m ($16.75m) a year in added value for Morocco.

Mr Leonard has many grumbles about the rules and regulations. He has had to import the equipment in the plant and even the materials it uses on a temporary basis to avoid punitive duties. There are cumbersome restrictions on hiring and firing, and limits on the shifts the factory is supposed to work.

The management lives with the constant worry of being found to have slipped up. Mr Leonard is only too aware of how much worse things must be for operations without SFRM's experience and local clout.

Yet there is no doubt that the labour rates—together with the relative quiescence of the workforce—are major attractions. Skill is also no problem, even if the technical know-how is not there to go much beyond an assembly operation.

Now that Thomson is embarking on its joint venture with SGS, Mr Leonard's ambition is to attract more investment for assembly and test operations and he is out to show that his plant can be cheaper than the other nine in the merged group.

Andrew Gowers

Expansion of tourism becomes priority

Continued from page 6

had booked months before by hoteliers for whom courtesy was an unknown commodity.

The same critics also noted that prices were raised by 20 to 25 per cent every year without any new corresponding services. The devaluation of the Dirham has provided a major boost to tourism in Morocco but there is little doubt that the low priority afforded to training hotel staff, and the often poor wages paid to most of them inevitably turns foreigners into easy prey.

But in towns, especially Marrakesh, where living standards remain low the contrast between even an ordinary European tourist and the indigenous population inevitably creates difficulty. This is all the more true as about half the 600,000 inhabitants of the city depend directly or indirectly on tourists for their livelihood.

However, here as in other sectors of Moroccan economic life, progress has been real but the need for better organisation and long-term financing plans, more rigorous quality control, greater attention to training staff and more awareness of the changing face of European visitors are essential.

The investment code of 1983 allows very generous terms for foreign investors—100 per cent of the initial investment—and all profits can be repatriated in foreign currency. This law has attracted considerable interest.

Hyatt Regency has refurbished a major hotel in Casablanca and is now doing a similar job with the old Rabat Hilton. The Meridien Group is now associated with the running of the Salam chain, while Club Mediterranée continues to expand. Holiday Inn is expressing interest after having been absent for a number of years.

Neckermann, the large West German tour operator, has also shown interest. To date most foreign companies have signed management contracts but Club Mediterranée and Jet Tour of France and other international groups are now showing interest in investing. Kuwaiti and Saudi interests are prominent alongside Spanish ones in this new wave of foreign investment.

The projects which are of interest to various Middle Eastern groups, notably the 15,000 bed "Baie de Tanger" appear very ambitious. In Tangier today there exist 12,000 beds and doubling this capacity seems over ambitious, Moroccan officials say.

Another senior Moroccan official who is not shy in his criticism of the tourist sector is the Director General of Royal Air Maroc, Mr Bekouar. He argues that nothing is done to entertain tourists, notably where sports and cultural festivals are concerned—younger visitors fare even worse than adults.

Marrakesh it is true does have a remarkable "dance and music festival every June but there is little else. The rencontres culturelles d'Asilah—a small whitewashed coastal town south of Tangier—now runs a yearly meeting of cultures under the aegis of its very active mayor and MP who is also Minister of Culture.

But very many monuments remain virtually inaccessible—most of the palaces of Fes, Tangiers and Marrakesh—and many "moussems" (annual celebrations of local saints or holy men which give rise to horse parades dancing and singing) are unheard of outside Morocco.

Few visitors know that between Salé and Rabat, on the edges of the Bou Regreg some very fine old styles of pottery can be bought and that fine clothes, modern and classical can be bought in the country.

Names of modern painters such as Ahmed Cherkaoui whose paintings are keenly sought in Europe and the US are not deemed worthy of mention to foreign visitors.

Yet many tourists crave a greater knowledge and understanding of the country as the number of excursions they take suggest. The need to upgrade the quality of visits to historical monuments, explain Moroccan history otherwise than in cliches, attempts to show foreigners genuine Moroccan singing and dancing and avoid the cheap tourist displays so common in Marrakesh remain paramount.

The fact that many professionals in this growing sector are aware of how difficult and complex the issues they face are is a reassuring sign. Recently Mr Mekouar said that tourists could become Morocco's equivalent of crude oil. That is certainly true but the Moroccans should reflect on how much of Middle Eastern oil wealth was wasted.

Francis Ghiles

El Aaiun

A boom town in the Sahara dunes

IF TANGIER IS Morocco's neglected son, then El Aaiun—capital of the Western Sahara—must be its favourite young daughter.

Since taking over the area nearly 12 years ago, King Hassan's government has been pouring millions of dirhams into the four Saharan provinces. Per capita public spending in and around El Aaiun is almost certainly far higher than anywhere else in Morocco. The visible result is a building boom the like of which the country has never seen. In the mid-1970s El Aaiun was a miserable and impoverished outpost of Spanish colonial rule, a shanty-town of at most 28,000 inhabitants nestling in a depression among the shifting Saharan dunes.

Today the number is more like 100,000, and the place has taken on the air of one of those expanding Arabian peninsula towns in the 1960s. At every corner, the cement mixers churn and the pneumatic drills thunder as new housing blocks spring up to replace the squat *white desert* dwellings.

Officially, nearly DH 6bn have been invested in new schools, hospitals, jobs, roads and houses since 1976 in the province of El Aaiun alone.

In fact, total expenditure may have been as much as double that, given that many projects have been carried out by soldiers drafted in to defend the south and east of the territory from Polisario guerrilla attacks. And despite national policies of *austerity, this is one area which* seems certain to escape any tightening of the purse strings.

Subsidies for everything in the Sahara from food to fishing boats are more generous than elsewhere. Petrol, for example, costs only 60 per cent of the price in the north and flour is reduced by more than half. Minimum wages are 85 per cent higher. There are absolutely no taxes.

The official explanation for all this largesse is that El Aaiun and its neighbours needed a heavy injection of funds in order to catch up with the level of development and social provision in the north.

The El Aaiun governor, Mr Saleh Zemag, who comes from the northern Moroccan town of Beni Mellal, says, "This is not a political investment. This is an economic and social investment."

It could be argued that in some ways, El Aaiun has already overtaken other parts of Morocco. In how many other places, for example, is it possible to speak realistically of the imminent elimination of shanty-towns?

King Hassan at prayer in the mosque at El Aaiun

There is, of course, more to the extravaganza than the strictly humanitarian. King Hassan himself underlined the political importance of the region when he paid it a triumphal visit in 1985.

Spending on the Sahara is a strategic imperative for Morocco, both in order to reinforce its own physical presence and what it regards as its national integrity, and to secure *the hearts, minds and pockets of* the local Saharawi population in the face of the war and of continuing international disapproval of Morocco's sovereignty claim.

In 1975, be it remembered, a *United Nations* mission to the region found that Saharawis favoured independence rather than Moroccan rule. Since then, the UN General Assembly has voted repeatedly in favour of local self-determination.

The issue has long been deadlocked as a result of disagreements between Morocco and other parties to the dispute over terms for a referendum in the Western Sahara. Much to its annoyance, the local administration in El Aaiun still receives messages from around the world addressed to the leaders of the Saharan Arab Democratic Republic, the Polisario "government-in-exile."

Today, evidence of opposition to Moroccan rule cannot be seen. But diplomats who pay regular visits say it is their impression that the region is tightly controlled by the Moroccans. In any case, large numbers of the mainly nomadic Saharawis have left the area as a result of the war.

The current population of El Aaiun town is a mixture of Saharawis who have opted for a sedentary life—especially during the recent years of drought in the Sahel—and northern Moroccans who have come south either as administrators or soldiers or in search of other work.

In what proportions, it is *impossible to tell, though* local officials claim that only about 30 per cent of the total comes from outside the Sahara region.

Whatever the numbers, it is clear that the Government is aiming to build up a local economy which is not simply dependent on handouts from Rabat. There is no doubt, either, that the Sahara presents an uniquely difficult environment in which to do so.

Current and future mainstays of the regional economy include:

● **Phosphates.** The Western Sahara contains rich phosphate deposits, albeit small ones in comparison with those in the north of Morocco. At Bou Craa, 100 km south-east of El Aaiun, phosphate mining was initiated by the Spaniards in 1972.

Although there were problems with security after the Moroccan takeover, production *resumed in 1982 and has been* steadily increasing ever since. The treatment plant near El Aaiun—now majority owned, like the mine, by the Moroccan phosphate monopoly OCP—aims to produce between 1m and 1.2m tonnes of the mineral this year and to step up output to 4m tonnes by 1991.

● **Agriculture.** Unlikely as it may seem, the Western Sahara now has a significant livestock industry—thanks to generous Government subsidies for the importation and feeding of camels and cows.

The region's camel herd was sharply reduced by the Sahelian drought of the early 1980s, but it is being rebuilt through the importation of beasts from Mauritania and Senegal, partly in order to provide a more profitable existence for the nomadic Saharawis. The region is even exporting camel meat to the north.

● **Fishing.** This probably offers the richest potential for earnings and jobs, since the sea off the long Saharan coastline is exceptionally well stocked with surface and deep-water fish and cephalopods such as squid.

The local industry has, however, scarcely begun to develop beyond a few hundred small-scale fishermen with outboard motor boats and without a proper marketing organisation. All this is about to change. There are ambitious plans to expand the port close to El *Aaiun and to construct a market* and cold store building, an ice-making plant and a fishmeal factory.

One problem for the development of a fishing industry is that it has so far been *difficult to interest land*-based Saharawis in taking jobs involving the sea. Officials hope to change that by training and education over time.

● **Tourism** is another area with large though untapped potential. El Aaiun has several good hotels, two of them managed to five-star standards by Club Mediterranee, and it plays host to parties of day-trippers from the nearby Canary Isles.

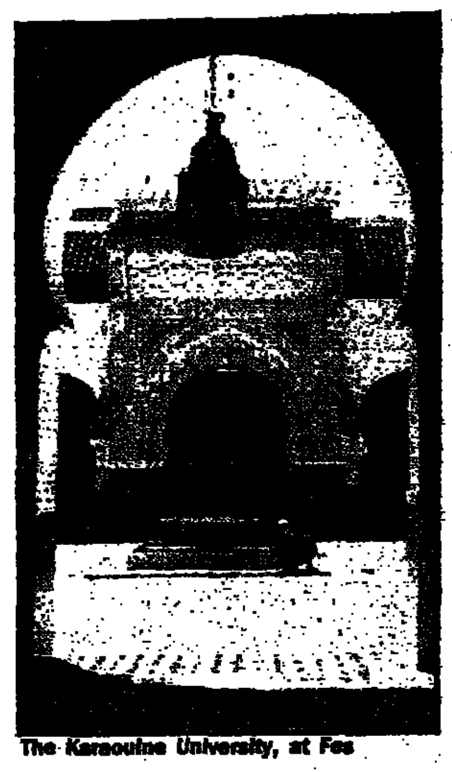
Officials also point hopefully to the Sahara's deposits of iron ore and oil shale, though they are realistic enough to acknowledge that neither is exploitable commercially at current prices.

Studies have been made into the possibility of generating hydro-electric power by channelling the ocean to a part of the region that is below sea level. There is even a scheme to sell Saharan sand in order to replenish eroding beaches in *the Canaries.*

For the moment, though, the motor for the local economy is likely to remain the public purse.

Andrew Gowers

A guide for the business visitor



The Karaouine University, at Fes

The country and the climate

MOROCCO lies on the north-west corner of Africa, three hours' flight from London. It is the oldest kingdom in the Muslim world, the present Alaoui dynasty having been in power for more than three centuries.

The climate varies considerably, from *the northern coast, which is* Mediterranean, to the old imperial city of Marakesh at the foot of the High Atlas mountains, which is a favourite winter resort for Europeans and boasts dry temperate winters and very hot summers.

Along the Atlantic coast, the temperature is usually mild and often very damp, especially at night and during the winter. Morocco has various mountainous ranges, the highest peak, Jebel Toubkal, being more than 4,000 metres high.

The deep south of the country is true desert climate—more pleasant to visit in winter than summer. The resort of Agadir functions all year round. Most of Morocco's 23m people are of Berber stock and speak Arabic. French is commonly spoken, except in more remote country areas.

Getting there

MOST MAJOR western air companies fly to Morocco, British Airways having started to serve Tangier and Casablanca last year. Visas are not required for UK citizens but it is best to check for other European nationals as requirements can change. The Dirham currency cannot be bought outside Morocco.

Business hours

MOROCCAN companies and administrations work a five-day week, *from Monday to Friday, with a slightly* longer lunch hour on Friday to allow for those who wish to pray. During the Ramadan fast, which lasts one month, it is best to avoid travelling to Morocco. In winter, hours of business are 8-12am, 2-6pm; in summer (end-June to end-September) 8-4pm.

Car hire

CARS ARE easy to rent at major airports and hotels, but do not expect them to be in perfect condition. It is worth shopping around, as many new companies have started up recently. *Roads between major* towns are good but usually fairly narrow.

Hotels

HOTELS IN general are cheap, and easy to find. However, the state has, in recent *years farmed out the management of* most hotels to the private sector, while international groups are taking over a number of well known establishments: the result is that a number of 4/5 star establishments probably deserve to lose at least one star.

In Rabat, the **Tour Hassan** (Tel 21401, TX 31914) is quiet and comfortable, but service is often indifferent and there is no direct dialling from the room. The **Safir** has direct dialling but very mediocre food—it is also very noisy, as it sits on a major crossroads, but boasts a lovely view across the Bou Regreg river which runs between Rabat and its twin-town of Sale. Casablanca has a rather expensive **Hyatt Regency**, a second rate **Safir** and three other very good, new and unostentatious hotels: **Idou Anfa, Les Almohades**, (Tel 220505, TX 24927) and especially **El Kandara** (Tel 261560 TX 23674). The third offers excellent service and food and is altogether very good value for money. *On the " Corniche," along the beaches* just south of the city, is the very attractive **Riad Salam** (Tel 363535).

A very good chain of hotels when travelling in Morocco is the **Dounia-PLM**; or you could choose the **Salam** hotels, which are associated with the French Medidien group. Avoid the Hotel Suisse at all costs.

In Marrakesh, the world-famous **Mamounia** underwent refurbishment in *the early 1980s which was not a success.* The **Es Saadi** (TX 72042) and **Palais Badia** (TX 72038) are very attractive five-star hotels. In Agadir, you will probably enjoy the **Atlas** (Tel 23232, TX 21867) which looks on to the beach, or **Europhotel** (Tel 21212, TX 81632). Between the two towns, in the southern foothills of the Atlas mountains, Taroudant boasts one of my favourite establishments: the **Gazelle d'Or**, set in the old walls of the town amidst attractive gardens. In late winter, when the almond trees are in flower, Taroudant is a dream.

Farther north, in Fes, the **Palais Jamai** provides truly wonderous views over one of the muslim world's best preserved cities. The hotel has style and service is excellent. The **Hotel de Fez** (Tel 25002, TX 51988) is also worth staying at.

In Tangier, the **Minzah** (Tel 35885) can probably claim to be the best hotel in the kingdom. The lovely old Spanish-style *buildings, full of old furniture* and paintings of British 19th century adventurers, is set in beautiful gardens overlooking the town and bay of Tangiers. Service is understated, and the whole atmosphere has an indefinable *" Britishness " about it. The cooking,* however, is truly Moroccan and French, and excellent.

Eating out

WHEN IT comes to food, Morocco offers any number of good resturants and some quite outstanding ones. You can safely shop by the roadside and eat " kaftas," skewers of meat sprinkled with saffron. Casablanca boasts four first class restaurants, and there would be little point in trying to say which is the best: all four offer very fine French cuisine: **Au Petit Rocher** (Tel 361195), **Ma Bretagne** (Tel 362112), ***La Cabestan*** (Tel 363265) and **La Mer**. More modest establishments include: **Port de Peche** (Tel 22 0561) and **Chez Pierre** and **Brasserie Bavaroise** (Tel 311760).

In Rabat, **Les Martinets** (Tel 52044) is outstanding, a quarter of hour's drive from the centre of town. **L'Entrecote** (Tel 71108) is nearer, while the very central **La Mamma** (Tel 67329) offers excellent grilled meat.

In Marakesh, **Dar Merjane** is run like a private Moroccan house—complete with old-style music. The atmosphere here can be quite enchanting. The French co-founder of this restaurant has recently opened another establishment which I have not yet had a chance to visit.

Arts and crafts

THE VARIETY of crafts in Morocco remains very great: carpets are plentiful, although the wool they are made from *is not always* of good quality. Pottery from Safi and Faz can be found in the Habous district of Casablanca, or in Rabat at the **Potteries de Sale**. Rabat also has a good **Centre d'Artisanat** near the Yacht Club. Excellent *leather goods can be found in many* shops, or you can ask advice in hotels as to the nearest factory.

Morocco has a number of very interesting modern painters, whose works are increasingly sought after in France and the US. Art galleries in Casablanca are many. Fine caftans and are not difficult to find in the 'Habous,' or in Rabat.

Old jewellery is more difficult to find, much of what is on offer being fake. Major companies sometimes patronise art, but *unfortunately are closed to the public: the* Office Chrifien Des Phosphates and the headquarters of the private Banque Commerciale du Maroc are well worth a visit—if you can find a way of being invited. In Rabat, you could visit **Gallerie Bab El Rouah.**

Economics

FOR ECONOMIC information about Morocco, outside specialised publications like the Banque Marocaine du Commerce Exterieur's monthly bulletin, the employers' federation edits a weekly brief *Cedies*. In the press, the beginnings of a professional approach to writing about economic and financial affairs is to be found in L'Opinion, the newspaper of the Istiqlal party—a team of six journalists edits a weekly economics page, which can be very rewarding.

Books to read

AS AN introduction to Morocco, John Waterbury's Commander of the Faithful, *unfortunately out of print*, remains as good a description of the monarchical system as any. Gavin Maxwell's Lord of the Atlas is a good account of the cruel Glaoui, who ruled Marrakesh between the first world war and his death in the 1950s. Le Fellah Morocain, Defenseur du Throne, by Remy Leveau is also very thorough.

FG

Tangier

'A paradise for the beautiful people'

ONCE UPON a time, and a long time ago at that, Tangier (no one who really knew it ever added that final "s") was *the* place to holiday. The climate was idyllic, the food passable, the natives friendly enough—considering they had had foreigners poking their noses in since the time of the Phoenicians, seven centuries before Christ.

The English, of a certain sort, made it their hideaway for many years. They populated the shady side of the mountain with their comfortable houses and spreading gardens, looked at the magnificent view across the Straits of Gibraltar and put their feet up.

When they died, their remains were buried in St Andrew's, the Anglican church next to the Souk. Mrs Ethel Waller who, as her plaque tells visitors, led the singing in the church for 24 years and died in 1921, was one of them.

Pottering about in the rambling garden of his 200-year old Moorish house, the Hon David Herbert, uncle to the Earl of Pembroke, paused in front of a soup-plate sized yellow hibiscus to reflect on the city's fortunes since the end of the halcyon International Zone era in 1959. "Well, we were very low for a long time," he said. "Tangier is just beginning to come up again now."

But it wasn't just the British by any means who gave this refish port on the tip of the African continent the reputation for glamorous living it enjoyed in between the wars. Self-governed, Venetian-style, by a council of foreign consuls, Tangier has always been more cosmopolitan and open to outside influences than other parts of Morocco.

Even the Americans have made it a home for longer than any provincial official in Tangier today can remember. Not that Washington has forgotten. The Old American Legation, a respectable merchant's house that Sultan Moulay Suleiman gave to President Monroe in 1821, lays proud claim to being the only US national monument outside the 52 states. Old Glory is still tacked to the wall, next to oils by some of its expatriate countrymen, but the diplomats moved out some years ago.

The late Barbara Hutton, the American heiress and socialite, used to spend her summers in Tangier; and Ezra Pound, it is said, was headmaster for a time of the rather good American School, though what inspiration the city had on his poetry is not totally clear.

Carrying on the tradition, Malcolm Forbes, multi-millionaire owner of Forbes Magazine and ballooning fanatic, has transformed an exquisite little palace over the sea into a museum for his collection of lead soldiers; while Paul Bowles, the reclusive author who is developing an international cult-following, still lives and writes in the town.

At the grand old Minzah Hotel in the city centre an incongruous figure of uncertain age decked out all in canary yellow, is holding court. "Positively all the beautiful people come down here for summer," Momy gushes. "It's a paradise!" A regular member of the royal entourage, the Spanish-born Jew and bon viveur, seemingly on first name terms with all the *pretty girls in town*, is Tangier's pet eccentric.

Evoking the past in a place like Tangier is not difficult. It is much harder to evoke a credible vision of the future. The once bustling port has slipped down the national ranking to a lowly sixth or seventh spot in terms of tonnage moved; the ferries to Europe are moving away to the more efficient service provided by the nearby Spanish enclave of Ceuta. Nor has the industrial park for light manufacturing on the city's outskirts been a great success.

If it were not for one enterprising Eritrean family, unemployment would be even worse than it is today, adding to the shanties clinging to the massive walls of the old port.

What has kept the local economy alive these long years since the great exodus of the foreigners, those in the know whisper, has been a business that officials prefer not to mention: smuggling. While hashish is smuggled from the nearby Rif mountains, an important marijuana growing area, to Europe and the US, consumer goods of all description are smuggled in from Ceuta.

The new Governor sent by Rabat talks plausibly of the city's great vocation as an entrepot between Africa, the US and Western Europe. Certainly it is ideally placed for such a role. Direct air links to many European and Middle Eastern destinations are already in place. He also dreams of the riches which could flow from the much talked-about fixed link across the water to Spain.

Package tourism is the great hope of the moment, what with the recent boom in charter flights from the UK and the 15,000-bed hotel complex the Saudis are said to be planning to put up by the bay. Even an International Tourist Centre, a *school for budding practitioners* of the trade rather than a refuge for foreign visitors weary of tramping the streets, is due to open its doors later this year.

What many are relying on to restore the province's fortunes is the scheduled visit by King Hassan this autumn, after a long absence of 20 years. After all, since it is said to have been royal disfavour that appeared to condemn the city to a slow death, the reverse presumably holds good. Sprucing up the roads, digging sewage ditches and erecting new electricity lines, preparations are already in full swing. Momy would approve.

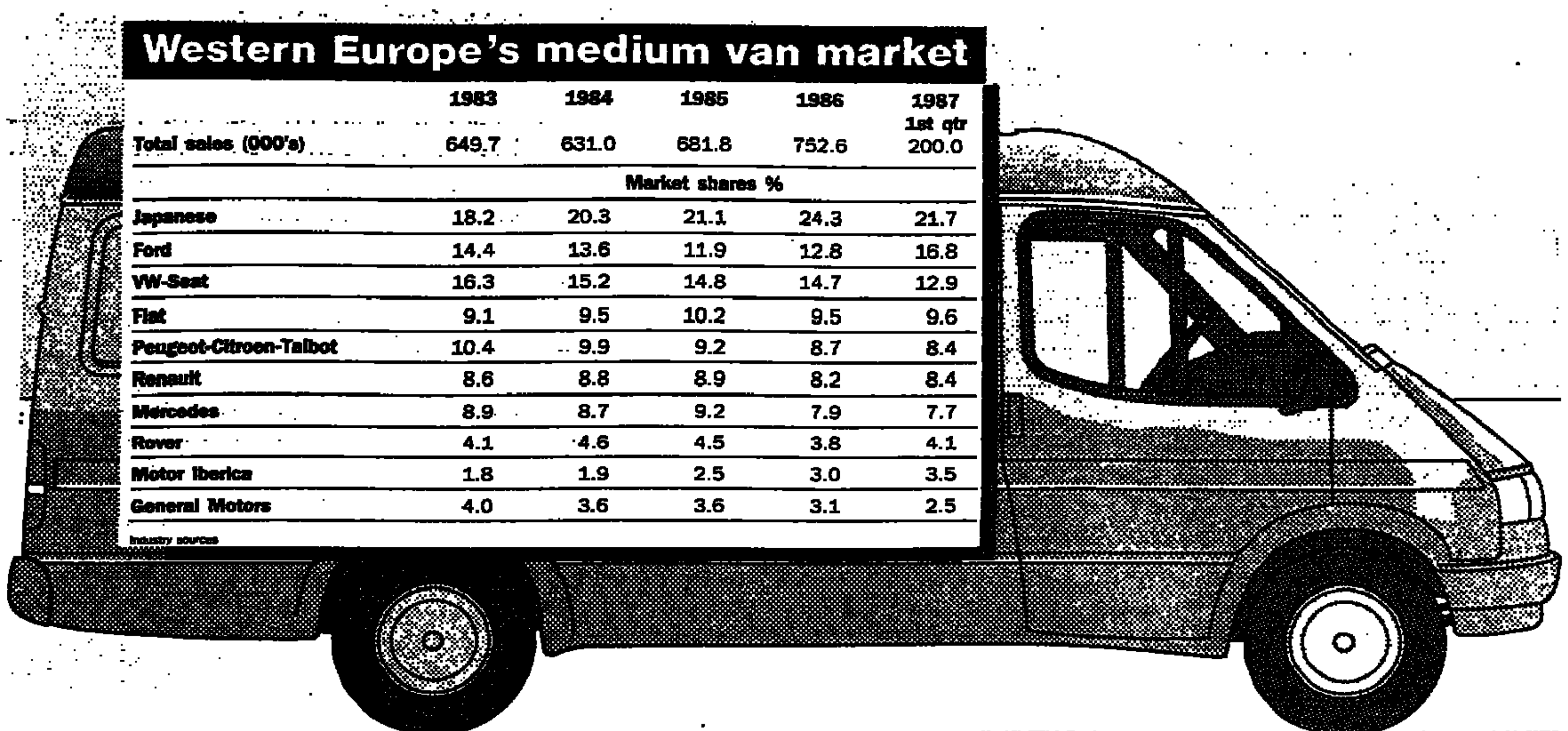
Andrew Whitley

SECTION IV

FINANCIAL TIMES SURVEY

Japanese gains in the light commercial market have contributed strongly to their 16 per cent share of Europe's total commercial vehicle sales. European makers are divided on the best response but an increasing number of joint arrangements seem likely. **Kenneth Gooding,** Motor Industry Correspondent, reports

Vans and Light Trucks



Western Europe's medium van market

	1983	1984	1985	1986	1987 1st qtr
Total sales (000's)	649.7	631.0	681.8	752.6	200.0
			Market shares %		
Japanese	18.2	20.3	21.1	24.3	21.7
Ford	14.4	13.6	11.9	12.8	16.8
VW-Seat	16.3	15.2	14.8	14.7	12.9
Fiat	9.1	9.5	10.2	9.5	9.6
Peugeot-Citroen-Talbot	10.4	9.9	9.2	8.7	8.4
Renault	8.6	8.8	8.9	8.2	8.4
Mercedes	8.9	8.7	9.2	7.9	7.7
Rover	4.1	4.6	4.5	3.8	4.1
Motor Iberica	1.8	1.9	2.5	3.0	3.5
General Motors	4.0	3.6	3.6	3.1	2.5

Industry sources

CONTENTS

Lack of unity over strategy

VOLKSWAGEN'S agreement to build Toyota one-tonne pick-up trucks in West Germany spotlights the disunity which prevents the European motor industry developing an effective strategy to deal with the Japanese challenge.

The Japanese manufacturers have made considerable headway in the light commercial vehicle sector as well as in the car markets and last year captured more the 16 per cent of Western Europe's total commercial vehicle sales. The Europeans and the two US multinationals have reacted to this situation in different ways. VW is taking a commercially pragmatic approach, as its latest move shows.

News of the VW-Toyota deal particularly dismayed the French who see it as yet another example of a European company providing a Trojan Horse for the Japanese to wheel through France's carefully-erected protective barriers.

Renault's new chairman, Mr Raymond Levy, is particularly upset about the VW arrangement. As a newcomer to the industry he is dismayed at the West German group's apparent lack of consistency.

For the announcement about the Toyota deal came very shortly after the European Community vehicle producers hammered out and put to the Commission a united approach intended to hold back further Japanese growth, for the medium term at least.

The manufacturers, including those from West Germany, suggest that the Japanese should be encouraged to hold their penetration of European Community vehicle markets to the present level until Europeans have captured at least 5 per cent of the Japanese new car market (about double the current level).

According to the European industry, that would provide firm evidence that the Japanese had at last really opened their domestic market to car imports and had torn down some of the non-tariff barriers.

Mr Levy feels that, by helping Toyota produce pick-up trucks in Germany, VW is failing to live up to the spirit of the European industry's agreement.

On the other hand, Mr Carl Hahn, chairman of VW, believes the deal with Toyota not only to be commercially sound for both companies but also to be politically timely.

He points out that the arrangement will help cut imports of built-up Japanese vehicles to the Community and thus have a favourable impact on Europe's motor industry balance of payments deficit with Japan.

So far the French are the only members of the Community to steer clear of vehicle production arrangements with the Japanese.

Even the Italians, whose market is highly-protected from built-up Japanese imports, provided some help when Alfa Romeo, then state-owned, joined Nissan, second-largest of the Japanese automotive groups, in a joint venture to build small cars in Italy. This did not go well and a four-wheel drive utility vehicle was to have replaced the car. But this scheme has been dropped now that Alfa Romeo has been bought by Fiat.

The UK goverment also encouraged the Japanese to use Britain as a European base for car production. As a result Nissan is building a major car plant in NE England while state-owned Austin Rover is making cars for Honda to sell through the Japanese group's dealer network.

In Spain, the Goverment also welcomed Japanese inward investment. Among other things, this resulted in Nissan taking control of Motor Iberica which now builds the Vanette small van and the four-wheel-drive Patrol. Iberica is still losing money but already has overtaken General Motors in Western Europe's medium van sector.

Meanwhile, Suzuki has acquired a 17 per cent shareholding in Land Rover Santana, the Spanish company 33 per cent-owned by the UK's Rover group. Santana is building small four-wheel drive Suzuki vehicles for distribution throughout Europe.

As for the West Germans, VW was not the first to do a commercial vehicle deal with the Japanese. Daimler-Benz is to produce medium vans in co-operation with Mitsubishi at Mercedes-Benz Espagna.

Daimler's Spanish subsidiary needs medium vans of the type the German group does not produce—those incorporating car components—to keep its commercial vehicle dealer network in Spain completely healthy.

The vans will also be exported to most European markets, but not to the UK because no right-hand drive versions are planned.

Daimler had no means of producing volume vans which use a high proportion of car components—it does not make the right type of cars for that business—without a link with another company. For various reasons including the strict anti-Cartel legislation in West Germany, a co-operative venture with another European group seems to have been out of the question.

In any case, like VW, Daimler feels that no harm can come from having connections, even very tenuous ones, with a major Japanese vehicle producer. Who knows where these German-Japanese relationships might lead in the future.

The US multi-nationals are also giving the Japanese a helping hand to sell light commercial vehicles in Europe. Ford is importing a light van from its 25 per cent-owned associate Mazda in Japan to fill out its range in those European markets where Japanese vehicles are not covered by restraint agreements.

General Motors, the world's largest automotive group, has been using its Bedford subsidiary in the UK to build micro and mini-vans based on designs supplied by Suzuki and Isuzu respectively.

The US group now has decided to use Isuzu, in which it has a near-40 per cent shareholding, to develop future medium vans for Europe as well. It is in the process of setting up a new company to take over the UK van business in which Isuzu will have a 40 per cent stake and "play a major role."

The proposed joint-venture echoes a previous deal with Isuzu, one which opened up the strong, pan-European dealer network of Opel, GM's West German car subsidiary, to the Japanese company's commercial vehicles—including the all-wheel drive Trooper.

The value to the Japanese of all these arrangements is tremendous. Light commercial vehicles share many components with cars and are often produced on the same assembly lines. Their production allows the high cost of engines, transmissions, axles, floorpans and so on to be spread across a much higher output than for cars alone.

Light commercial vehicles can be sold and serviced adequately by car dealers and can be used to give dealers something to sell in those many markets in Europe and the rest of the world where protectionism makes the Japanese wary of taking their penetration of car markets too far.

Some European producers also benefit from having thriving light commercial vehicle operations. Mr Christian Martin, Renault's export director for Europe, for example, says that light commercials are extremely important for his group and its dealers. Renault's European dealers sold 243,000 light commercials in 1986, equivalent to the output of an average-sized car plant.

Mr Jacques Calvet, chairman of Peugeot, too, is convinced about the need for his group to mantain a strong position in the sector. Peugeot and Fiat have a joint van plant in southern Italy and Mr Calvet promises that his company will give the venture all the financial support it needs when the time comes to replace the current range.

While the Europeans mainly confine themselves to their domestic market, in the 1970s the Japanese crushed all competition in the Far East. They have pushed deep into the North American market, capitalising on the huge demand there for pick-up trucks which are frequently used as substitutes for cars.

In doing so the Japanese shrugged off a major protectionist measure, implemented in 1979, when the US Treasury imposed a 25 per cent tariff on imported light trucks.

This was mainly in response to union pressure because the three major automotive groups — GM, Ford and Chrysler — were all importing small pick-ups from Japan and selling them with their own badges through their own dealer networks.

Partly as a result of the tariff, both GM and Ford launched their own, US-built, smaller pick-ups and Nissan set up its pick-up assembly plant in Tennessee.

Even so, Japan's output of commercial vehicles — most of them vans and light trucks — reached a record 4.54m units in 1985 and last year fell back only 3 per cent to 4.4m. Of these about 257,000 were sold in Western Europe and 937,000 in the US.

The London-based DRI Europe group forecasts that by the 1990s the Japanese will take 40 per cent of the medium van business in Western Europe. DRI predicts that two elements in particular will extend the Japanese penetration. Firstly, they will make more vans at their own European factories. Secondly, in response to their own falling market shares, the Europeans are likely to look for ways to reduce the cost and investment needed for new van range and will use Japanese vehicles to do so, either by importing them fully built-up or by producing Japanese-designed vehicles.

Medium Vans

A process of restructuring

IT IS a time of restructuring and increased competition among companies in the European medium van sector. The competitive scene has changed now that Ford's new Transit, the replacement for the vehicle which was the best-seller in the sector, is in full production and the US group is clawing back lost market share.

Restructuring is mainly centred on the UK. First, Daf Truck of the Netherlands acquired Freight Rover, the Sherpa van business, from the state-owned Rover group. Then General Motors revealed it hoped to hand over responsibility for its Bedford van operations to a joint company in which its Japanese associate, Isuzu, will play a major part.

GM says new working practices are necessary to put into effect and negotiations with the unions did not go smoothly.

GM threatened to close the Bedford van activities completely if the Isuzu scheme fell apart because it cannot afford to continue *subsidising the losses*, claimed to be running at £500,000 a week.

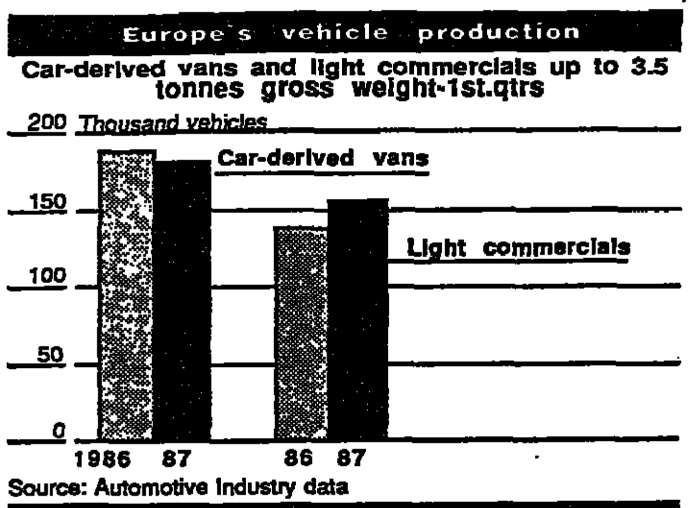
GM already has quietly stopped production of the CF medium van, launched in 1968 and recently looking its age in spite of a facelift four years ago.

The change in Freight Rover's ownership came as part of the *deal whereby Rover transferred* most of its commercial vehicle operations, including Leyland Truck, to Daf in exchange for 40 per cent of the enlarged Daf *company*.

Mr Aart van der Padt, Daf's president, promised his company would spend more than £75m in the next five years to *develop and put into production* a new Sherpa van range because a replacement for the current one is urgently needed.

Daf had a vested interest in *Freight Rover's future because* in 1986 it arranged to sell versions of the Sherpa—and the Leyland Roadrunner light truck—through its 550 continental dealers.

Freight Rover is a minnow in the European van industry with a two-shift capacity of 40,000—production last year was 19,000 vans—*compared with about* 100,000 each for the sector leader, Ford's Transit and the



Franco-Italian Sevel Range.

The Daf-Freight Rover arrangement shows that Britain's commercial vehicle industry is still suffering from the *repercussions of the UK government's* hasty decision last year not to allow General Motors to take over Land Rover and Leyland Trucks.

If that deal had been completed, GM's intention was to acquire Freight Rover as part of the package and to merge it with the US group's Bedford van operations.

But the public outcry about the possible sale of Land Rover to an American company and pressure from Conservative back-benchers *forced* the Government to remove Land Rover from the deal. GM said: "No Land Rover, no deal" and walked away.

Subsequently the US group ended nearly all production of Bedford medium and heavy trucks at its Dunstable factory with the loss of about 750 jobs.

GM said at the time that the merger of Bedford and Freight Rover would just about have provided enough potential sales volume to justify investment in *a new van range to replace both* the CF and the Sherpa.

It now costs about £200m to develop and tool-up for the production of a new medium van *range and those European companies* which have faced up to this kind of outlay look for an annual output of 100,000 vehicles to ensure a resonable return.

VW with the West-German built Transporter II (also soon *to be replaced) and Ford with* the Transit (built in the UK and Belgium) can be reasonably sure of reaching that sort of volume.

Fiat of Italy and the Peugeot Group in France set up a joint venture, Sevel, so that they could benefit from the economies of scale brought by *working together*. Sevel produces the Fiat Ducato, the Peugeot J7, the Citroen C25 and the Talbot Express vans, all to more or less the same design but using *different engines and transmissions* from each of the producers.

Renault of France decided to go it alone with the Trafic *medium van* but at the same time introduced the Master van range which shares some components.

GM says it has only one option *left to make* the Bedford van plant at Luton viable. It will hand over the Bedford business to a new joint company in which GM will own 60 per cent and *Isuzu will have 40 per cent* and "play an important role."

By sharing the costs with Isuzu, GM should be able to obtain the required 100,000 *annual output for the successor* to the CF once the Japanese group's sales in Japan and through GM dealers in the Far East and Australia are added to the Bedford production for Europe.

GM has spent about £50m on the Bedford van facilities, mainly to introduce production of two small vans based on Japanese designs: the Midi, from an Isuzu design, and the Rascal, based on a Suzuki vehicle.

In Spain Daimler-Benz, the Mercedes group, is to introduce a new van range from a Mitsubishi design. The venture represents an investment of Pta 11bn and the range, called the MB 100 to MB 180, will be exported to most European markets for sale through both Mitsubishi and Mercedes dealers—but not the UK because no right-hand-drive version is planned.

Nissan is building vans in Spain on its own account. It has a majority shareholding in Motor Iberica which is building the Vanette and the four-wheel-drive Patrol.

Meanwhile, Ford's renewed vigour, courtesy of the new Transit, is clear to see. Last year its share of Western Europe's medium van market rose from *11.9 per cent to 12.8 per cent as* total sales in the sector increased by 10.4 per cent to 752,600.

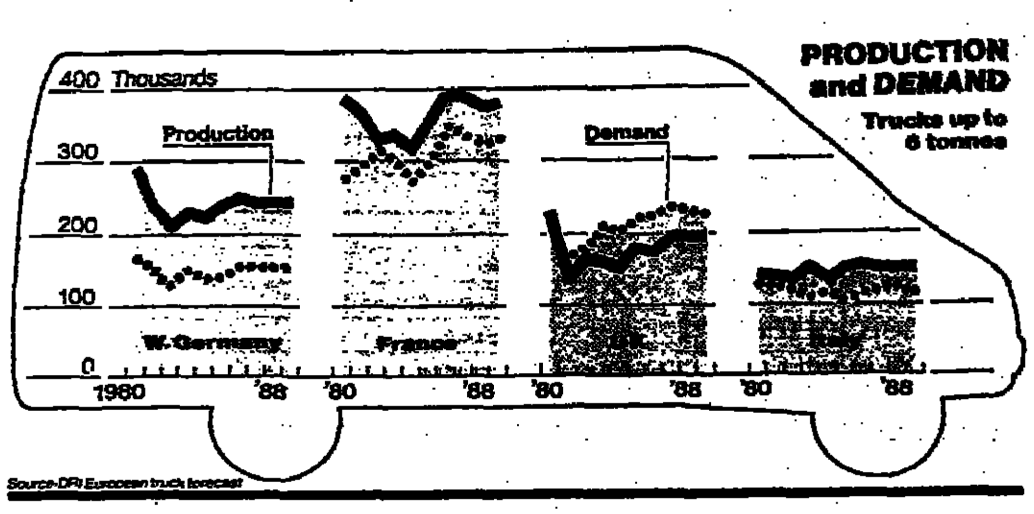
This left Ford behind Volkswagen, which had a 14.7 per cent share, virtually unchanged from 14.8 per cent in 1985, and the Japanese, who took advantage of the gap left *during the introduction* of the new Transit to build their combined share to a record 24.3 per cent (up from 21.1 per cent).

In the first quarter of this year, with Transit output at full steam, Ford's share shot up from 10.7 per cent in the same months of 1986 to 16.8 per cent, a

While demand continued to be *strong in the quarter*, and total medium van sales rose from 179,600 to 200,000, the Japanese share fell by 2.3 percentage points to 21.7 per cent and *VW's by 2.2 points to 12.9* per cent.

If this performance continues, Ford will meet its target of selling more than 100,000 Transits in 1987.

Kenneth Gooding



Light trucks

Fast and furious pace of change

THE PACE of change in the commercial vehicle industry is fast and furious and in Europe has mainly affected Spain and the UK.

The changes are having *considerable impact on the light* truck sector.

For example, in Spain the *Government has failed to sell* state-owned Enasa, the Pegaso truck and bus producer, and instead has tried another change of top management and provided further investment funds in the hope that Enasa can get back into profit and thus be more attractive to a potential buyer.

One aspect of Enasa's approach has not changed—it is *still seeking joint ventures of* the type it signed earlier this year with Volkswagen and MAN of West Germany.

Enasa is assembling the 6 to 10 tonnes trucks, called the 6-series, developed by VW and MAN for their own joint venture. The vehicles are being sold in Spain and some of Enasa's *traditional export markets* with Pegaso badges on them and incorporate some Spanish components.

The schedule called for more than 200 trucks, worth more than DM 6m, to be delivered in the second quarter of 1987 while Enasa's ultimate target is annual sales of 1,000.

MAN's own situation in Spain is not changed by the deal. The West German company will continue to sell its own G-series vehicles via the Codima import company. Last year 468 G-series trucks were sold in Spain, up *from 237* in 1985.

The VW-MAN joint venture failed to live up to expectations. It was set up six years ago to provide trucks to fill the gap between the top of the VW's commercial vehicle range and the bottom of MAN's.

The partners originally hoped for an output of 15,000 vehicles a year with 10,000 for export but production has never risen above 5,000. But when the first contract came to an end, VW and MAN renewed it with some important changes. All production is now at MAN's Salzgitter factory instead of being shared with VW's Hanover plant.

Mr Wilfried Lochte, chairman of MAN Commercial Vehicles, says the joint venture is now making a small profit and consolidation of production at one site will bring further financial improvement.

MAN isself narrowly escaped being taken over by General Motors, a deal that had some *attractions for its parent*, the GHH engineering group, which eventually settled for taking full control—it previously had only 75 per cent—and getting a *tighter grip on MAN's management.*

GM, the world's largest automotive group, after its failure to acquire MAN and that company's 20 per cent share of the West German heavy truck market, decided to quit the business. Last December it closed down medium and heavy truck production for Europe at its Bedford plant in Britain.

GM's decision was almost certainly influenced by Ford, which began the UK restructuring process by selling off its medium and heavy truck operations (but not the Transit van business) to a new joint company with Iveco, the Fiat-owned company.

This deal gave Iveco management control and the new company acquired the Langley, Buckinghamshire, factory where the Ford Cargo truck range is produced, for £39m.

The partners also had to finance setting-up costs in Iveco-Ford's first six months of trading—it started operations in June 1986—and between them recently provided another £25m cash injection to cover the £22m net losses for that period.

General Motors only 18 months ago was in the market to buy Leyland Trucks, Freight Rover and Land Rover from the state-owned Rover group, but the UK government backed off in the face of considerable public opposition to the deal. GM's next move was to quit the truck business in Europe.

Meanwhile, Rover's new chairman, Mr Graham Day, was left with the problem of finding another buyer for Leyland. This he did with remarkable speed in a deal which passed control of Leyland, one of Britain's famous automotive names, to Daf of the Netherlands.

Rover keeps an interest via a 40 per cent shareholding in the enlarged Daf organisation, which has its headquarters in the Netherlands.

Daf and Leyland were already cooperating in a light truck arrangement which involved the Dutch company selling special versions of the Leyland Roadrunner through its 550 dealers in continental Europe.

The venture got away to such a good start that at the begining of 1987 Daf lifted its order for Roadrunners from 1,000 to 1,400 vehicles for this year.

The new Daf company has been profitable from day one but some observers believe it is too optimistic for the partners to suggest it might be floated on the London and Amsterdam stock market in two or three years.

The Leyland-Daf merger created a new competitive environment in the UK because between them the companies had a 25 per cent share of the market for trucks over 3.5 tonnes gross weight—exactly the percentage Iveco-Ford hopes to win before long, having started life a year ago with 18 per cent.

Bedford's demise, leaving about 10 per cent of the UK truck market up for grabs, should help both Leyland-Daf and Iveco-Ford. But other companies, including Renault Truck Industries, based at Dunstable, Bedfordshire, feel they can win some of the Bedford business.

There might also be some opportunities for Daimler-Benz, the Mercedes group, even though it concentrates mainly on selling "premium" vehicles.

D-B, now the leading truck importer in the UK, showed what was possible with its LN *range of light trucks which captured* a considerable slice of the 7.5 tonnes sector in Britain and in doing so cut back Leyland's expectations for the Roadrunner, a major contender at this weight.

D-B spent about ten years building up the strength of its dealer network in the UK where, as European truck market leader, it believed it should be doing better.

The latest contender in the UK light truck market is Volvo of Sweden. Volvo is to expand substantially its truck service and parts network in the UK following the launch last month of its own 7.5 tonner.

This took Volvo for the first time into the largest single segment of the UK heavy truck market, accounting for about 14,000 registrations a year, because these are the biggest vehicles which can be driven without a heavy goods vehicle licence.

It is also the first time that Volvo has made the whole of its truck range, including the lightest, on sale in the UK—adding another element to the changes sweeping through the market.

Kenneth Gooding

Pick-up trucks might catch on in Europe, says **Kenneth Gooding**

Questions about the potential

WHAT IS the potential for pick-up trucks in Western Europe? The question is particularly pertinent in view of two major developments: Volkswagen's deal to build a Toyota one-tonne pick-up in West Germany and Ford's return to this sector shortly with a similar picklup based on the Sierra car.

In the US, annual sales of pick-ups total nearly 2m because the majority are brought as passenger car substitutes. In Europe, however, the pick-up is used mainly as a working vehicle which gives it the wrong image for those looking for private transport.

VW says it intends to produce up to 8,000 Toyota Hi-Lux one-tonne pick-ups at its Hanover factory in 1989. By 1990 production should increase to 15,000 a year.

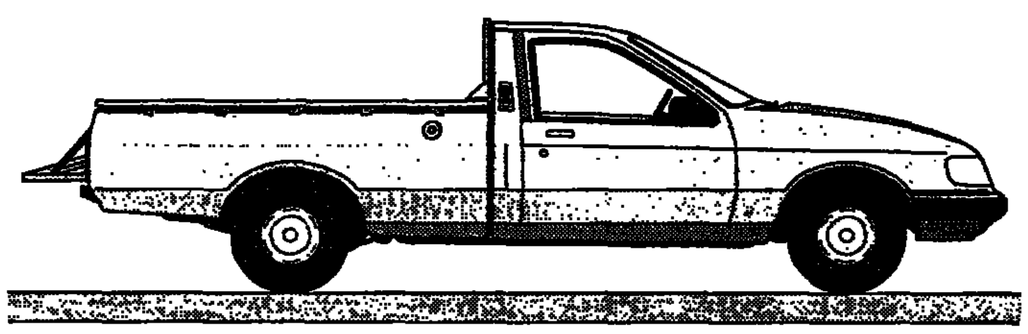
This is in line with VW's experience with the smaller Caddy pick-up which it introduced to give its Yugoslavian associate a vehicle to produce after the new Golf car was introduced. Whereas the Yugoslavian company was able to produce some old Golf models, all new Golfs are built in Wolfsburg, West Germany. By building a pick-up using most of the old tooling, the Yugoslavs have been able to fill the gap.

Last year production of the Caddy rose by 14.8 per cent, from 12,795 in 1985 to 14,650.

However, the VW-Toyota pick-up plans are over-optimistic, according to Dr Gerhard Liener, the Daimler-Benz board member *responsible for the Mercedes group's commercial vehicle division.*

European tastes would have to change too radically for the *market to absorbt so many pick-ups*, he says. Daimler-Benz has an arrangement to build one-tonne vans based on Mitsubishi car components at its factory in Spain but feels under no pressure to ask the Japanese company for a licence to build a pick-up, Dr Liener says.

In contrast, Ford feels there is considerable potential demand for the Sierra-based pick-up it will launch from its Portuguese factory later this year, particularly if the manufacturers can encourage Europeans to head even slightly in the direction of the Americans in the use of pick-ups as leisure vehicles.


The Sierra as it might look as a van : jellymould style for delivery work

Ford has been coy about the Sierra pick-up but we do know that the company has invested about $20m over the past three years at the Ford Lusitana factory at Azambuja, 50 kms north of Lisbon, to prepare for production of the new vehicle. It is not clear, so far, whether the pick-up will be produced instead of or alongside the Transit van which is assembled at Azambuja at the rate of about 2,000 a year for sale in Spain.

Ford already has considerable experience of the sector because for some time it has been *selling in Europe a pick-up, the P100, built in South* Africa and derived from the old *Cortina/Taunus* car, to meet demand created initially by Japanese imports.

Distribution of the P100 was confined to the UK and Ireland, however, because only right-hand drive P100s were available and neither was there a diesel-engined version—essential if the vehicle was to have much chance in most continental European countries.

It did not make economic sense to spend the money necessary to re-engineer the P100 to make it suitable for left-hand drive markets.

Ford began importing the P100 to Britain in 1982 and the following year 7,500 were registered. But by 1986 demand had fallen to an annual 2,000, too low to warrant continuing. The company brought in enough vehicles to last another year, to see it through, more or less, until the Sierra pick-up—which will be produced in both right and left-hand drive versions and have a diesel option—arrives.

The potential scale of production in Portugal does not sugest that Ford is particularly interested in building volume for the pick-ups by developing leisure versions.

But the company points out that many of the small Japanese four-wheel drive utility vehicles are used as *alternatives* to cars and that pick-ups, suitably dolled up with special paint jobs, *go-fast* stripes and raised suspensions, could command a similar attraction.

There is *one European country*—France—where even small vans are widely used as private-car substitutes. Price plays an important part because in France vans attract value added tax of only 18.6 per cent compared with 33 per cent for cars.

Huge demand for modern car-derived vans such as the Renault Express, based on the R5, and the Citroen C15, help keep France at the top of the European sales league for light vans, including micro-vans (purpose-built Japanese vans with engines under 1 litre) as well as car-derived vehicles.

Last year the introduction of the C15 boosted sales of small vans in France to 222,700 of which Renault accounted for 51.2 per cent and the Peugeot-Citroen group 37.7 per cent—which did not leave much room for importers.

No other European market offers such *big sales potential* to domestic producers—the closest is the UK where 105,400 light vans were sold in 1986. West Germany, Europe's largest *new car market, took only 27,300* small vans, something which obviously affected Daimler-Benz's Dr Liener when he questioned VW's need for a pick-up.

The massive imbalance in demand for small vans enables the French to take clear European sales leadership, accounting for well over half the 567,400 vans sold last year.

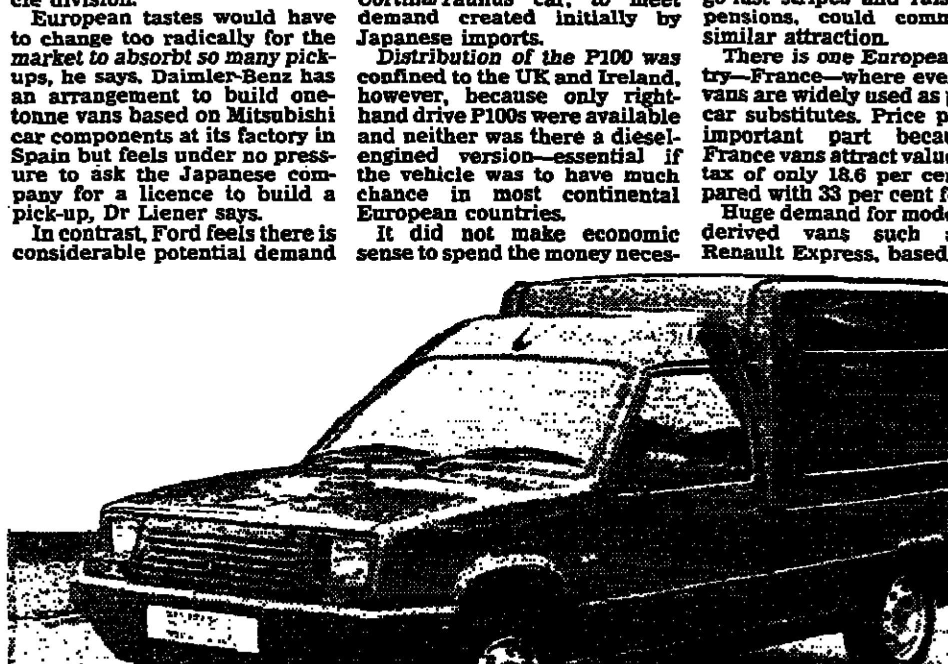
Renault lost the European lead briefly in 1985 to Peugeot-Citroen but the introduction of the Express enabled it to regain pole position last year with a 31.9 per cent share, up from only 23.3 per cent of the 496,600 small vans sold in 1985.

Peugeot-Citroen was some way behind in second place, taking a 22.5 per cent share (down from 24.7 per cent in 1985) followed by the Japanese with 11.5 per cent (13.3 per cent), Ford, 7.8 per cent (9.6 per cent) and General Motors, the Opel-Bedford group, with 7.4 per cent (6.6 per cent).

GM benefited from having a *full year's production of a* micro-van based on a Suzuki design but with enough European content to sell in those countries which restrict built-*up Japanese vehicle imports.*

Faced with constraints on volume by various restrictive agreement such as the one which limits their light commercial vehicle sales in the UK, the Japanese have been trading up and concentrating on higher-value medium vans rather than the micros.

Kenneth Gooding


Renault Extra : competitor in a very fierce market

Diesels

Accelerating trend in the UK

EVEN IN the UK, a notable laggard within Europe in terms of embracing the diesel, there is now an accelerating trend in its favour among light commercial *operators.*

The diesel engine's advantages vis-a-vis its petrol counterpart have long appeared obvious enough. Fuel consump*tion is up to 30 per cent better*, and the advantage most clear cut in precisely the operating conditions where most light commercials are used: *urban areas where speeds are low and* stop-starts frequent.

Durability is also improved, offsetting the minor disadvantage of slightly more intensive *routine maintenance such as oil* changes.

Two factors in particular, however, help explain the recent sharp rise in the share of *diesel vans and light trucks in* the UK market:

One is that a new generation of diesel engines, like the 2.5 litre direct injection unit fitted *to Ford's best-selling Transit*, have much better on-road performance to accompany their fuel consumption advantages. They go a long way to countering drivers' resistance to the diesel van's previous image of being unacceptably *slow and noisy.*

Nor is the trend confined to purpose-built panel vans. UK sales of diesel versions of light vans—those derived from cars—are now rapidly approaching the level of 40 per cent of all light van sales, despite having been virtually non-existent until the early 1980s. Bedford started the light van "diesel revolution" by installing a high-speed unit, a derivation of its "Family Two" petrol engine, in its Astra van—and now has about 50 per cent of Astra van sales taken by the diesel version.

*Ford has had a similar experi*ence with the 1.6 litre diesel fitted to its Escort van range—and this year Austin Rover, in collaboration with Perkins, has *taken the* 'revolution" a stage further with the launch—in its Maestro van—of what is claimed to be the world's first high-speed direct injection diesel suitable for cars as well.

The Prima MDi diesel, originally forecast by Austin Rover and Perkins to appear in 1984, is expected to appear later in Maestro and Montego cars. And while it has yet to revolutionise the sales of the van to which it is currently fitted, Austin Rover has high hopes that the claimed 15 per cent better fuel efficiency, in the two litre unit, than a conventional, indirectly-injected diesel (40 per cent better than a petrol unit) will attract substantial conquest sales in the coming year.

Similar optimism is felt by Freight Rover, the vans subsidiary of what used to be Leyland Vehicles and which now is part of the Anglo-Dutch company, Leyland Daf. Freight Rover introduced the Prima diesel into its Sherpa range late last year, and sees the diesel Sherpa's share of total sales rising to 40 per cent compared with 10 per cent prior to the Prima's introduction.

The other factor giving the diesel a boost in the UK is the discernible gap opening up in the price of diesel fuel compared to that of petrol. Differentials in favour of the diesel of up to 20p a gallon have occurred during the past year, even without any significant change of policy by the government towards fuel taxation. The effect of the differential, plus the diesel's intrinsically better economy, has not been lost on operators.

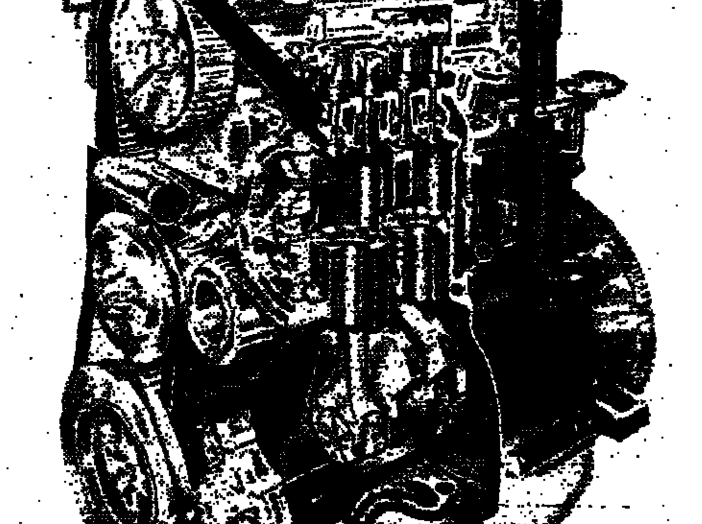
John Griffiths

W. Europe's van and light truck production 1986

	Micro vans 1985	CDV's petrol	CDV's diesel	NCDV's petrol **	NCDV's diesel	Light trucks	Light trucks diesel
The UK							
Rover Group		17,524	695				
Freight Rover				11,375	6,965		
Leyland Truck							2,835
Ford (inc. IFT)		14,376	17,326	33,837	19,642		6,726
GM Bedford	8,953	9,466	7,975	5,519	5,401	231	534
Renault TI				38	1,510	4	912
Total	8,953	41,366	25,996	50,769	33,508	235	11,007
West Germany							
Daimler-Benz				2,962	59,438		17,626
Ford		23,430	8,780				
GM Opel		11,976	16,489				
Iveco							684
VW MAN		3,850	9,499	57,668	85,482		543
Total		39,256	34,768	60,630	144,920		18,853
Italy							
Alfa Romeo					1,464		
Fiat/Iveco	4,140	7,690	1,816	244	41,549		4,113
Sevel PSA				11,923	31,558		
Sevel Fiat				7,937	38,800		
Total	4,140	7,690	1,816	20,104	113,371		4,113
France							
PSA		33,259	32.127	12.718	24,258		
Renault		101,329	67,506	7,492	32,389		1,268
Total		134,588	99,633	20,210	56,647		1,268
Belgium							
Ford				17,471	37,264		
Total				17,471	37,264		

* Car-derived vans. ** Medium vans. ‡ Up to 7.5 tonnes.

Source: Planning Research


The Prima diesel, an Austin Rover-Perkins venture, is to be offered to other vehicle makers

VANS AND LIGHT TRUCKS 3

Four-wheel drive

Trend moving to leisure vehicles

IF BUYERS OF light, utility, all-wheel-drive vehicles were required to fill in a form to say how they intended to use their new purchases, this sector of the commercial vehicle market would be much easier to analyse.

In the US annual sales of such vehicles regularly reach 1m. There has also been a considerable boom in European registrations. Between 1979 and 1985 sales rose about 250 per cent to 160,000.

But a great deal of the impetus came from Europeans following the lead set by the Americans and using the four-wheel-drive vehicles for leisure purposes or as passenger car substitutes rather than as workhorses.

There is no shortage of evidence about the trend. For example, in 1985 Land Rover of the UK for the first time lost its European market leadership in the sector to Suzuki of Japan.

However, the Suzuki vehicle which was responsible for this success — the SJ (which sold about 38,000 that year compared with 24,600 Land Rovers) is by no stretch of the imagination in competition with the solid, sturdy Land Rover. The SJ is small and light and seems to have particular appeal to women drivers who want a form of transport that is noticeably different.

The Land Rover company itself is benefiting from this trend in Europe. Production this year of its luxury, four-wheel drive Range Rover has overtaken that of the more utilitarian Land Rover.

By the end of this year, when the Land Rover company expects to make about 45,000 vehicles, up from 41,000 in 1986, it is likely that Range Rovers will account for a least half.

The change illustrates that Land Rover's decision to shift the emphasis from the supply of workhorse vehicles to the Middle East and Africa — where demand has dried up because of shortages of foreign currency — to high-specification vehicles for the developed countries is beginning to pay off.

It is the Japanese who have cultivated and nurtured this sector in Europe, however, and who are also collecting most of the dividends.

Vehicles such as the Mitsubishi Pajero/Shogun with 1985 sales of more than 20,000, the Nissan "Patrol (19,000) and Toyota Land Cruiser (11,000) have an off-road capability but are not typical utility vehicles.

The Japanese have pushed specifications and prices up-market to compensate for the restrictions on the volume of vehicles they can ship to the European Community under the terms of various protectionist agreements.

For example, the company importing the Isuzu Trooper to the UK charges beween £10,000 and £14,500 for the range and has just announced a special version "in two-tone paint with a luxurious interior and a range of factory-fitted extras," which is certainly not aimed at the farmer with a few sheep or pigs to move across country.

About 70 per cent of the light, utility, all-wheel drive vehicle sold in Europe today are Japanese. That means the comparative boom in demand is benefiting only the Japanese and not the European whose vehicles usually are sturdier and more expensive.

Which partly explains why Daimler-Benz's venture into the sector in co-operation with Steyr-Daimler-Puch of Austria has failed to live up to expectations.

The partners looked for annual sales of at least 10,000 vehicles when they first launched their G-Wagen in 1979 but production has never risen above 6,700. The G-Wagen has always been highly-priced and made no attempt to appeal to customers who would want to use it as a workhorse, even though it undeniably has the capability of taking as much tough usage as any of its competitors.

The Japanese have in the past frequently used light, all-wheel drive vehicles to open up markets which otherwise would be closed to them. Countries which could not justify the import of luxury goods such as cars, would accept working vehicles.

This enabled the Japanese to gain footholds in difficult markets and set up small dealer and service networks ready for the long-term when it might be possible to send in cars as well.

Two Japanese companies have used this technique to test the water in Europe with small-scale production.

They were encouraged to do so because, not only were sales developing nicely but most of the European car companies have stopped producing rival models and are therefore less likely to complain about unfair competition from lower-cost Japanese products.

Nissan, second-largest of the Japanese automotive groups, led the way by buying Motor Iberica in Spain and putting the Patrol into production there using many local components, including a Spanish-built Perkins engine.

Iberica also builds another light commercial vehicle, the Vanette van. Nissan has found operating the Barcelona plant much more difficult than it originally envisaged.

Estimates vary about how much the Japanese company has invested in Iberica—about Pta 40bn seems a fair guess—but there is still no sign of a profit. Nissan suggests that that might come in 1990, six years later than originally hoped for.

However, Nissan's experience did not daunt Suzuki which followed into Spain via an arrangement with Land Rover Santana.

The original agreement between the two was little more than a contract for Santana to build a set number of Suzuki J-series in Spain. But in 1984 that deal was cemented by Suzuki paying a nominal Pta 150m for an 8 per cent shareholding in the Spanish company.

Suzuki's versatile SJ model which has gained the company market leadership in the sector in Europe

This stake was lifted to 17 per cent last year via a capital increase which at the same time reduced the shareholding of Land Rover—part of the state-owned Rover group of the UK—in Santana from 45 to 33 per cent.

Santana has been suffering big losses, has a large debt burden, needs to cut its workforce and to modernise production facilities. Rover is unlikely to want to become too heavily financially involved in this process. Neither does it make much sense for the same Land Rover vehicles to be made in two European community countries.

Sometime soon Rover and Suzuki will make up their minds about Santana's future. In the meantime, when asked about Santana, Mr Graham Day, chairman of Rover, says tersely: "We won't discuss our plans for Santana."

Kenneth Gooding

Electric vehicles

Pioneer work picked up by GM in the US

ONE EFFECT of the past year's deepening crisis at Bedford, General Motors' commercial vehicles subsidiary in the UK, has been cancellation of production of Bedford's planned Bedford CF electric van.

More than 300 had been built on a batch basis and were undergoing trials around the world when Bedford, making heavy losses and short of funds, called a halt to the project in July last year.

This was just three months before the first electric CFs were due to start coming off the Luton assembly lines as part of normal production, at a planned initial rate of 500 a year.

The Bedford vehicle, using a drive system developed jointly by Chloride and Lucas, was widely considered to represent world leadership in EV technology. (A small fleet has been on trial even in Japan, whose own motor industry has been in difficulties with EV development).

Other UK vehicle makers, notably former Rover Group vans subsidiary Freight Rover—now part of Leyland DAF—have been producing electric vans using the Chloride-Lucas drive system, but on a very small scale.

So with the CF's demise the viable electric vehicle, proclaimed for decades by its proponents as being "just around the corner," appeared to have come unstuck at yet another, nasty bend.

The baton has been picked up, however, by GM itself in the US. Bedford's parent had previously acknowledged the pioneering progress of its UK subsidiary by adopting the electric CF as its EV "showcase" vehicle—albeit only after technology problems and falling oil prices defeated its own plans to produce a small electric car for the US market.

Now, Chevrolet's Griffon panel van, visually quite similar to the CF, is being adapted to accommodate the Chloride—Lucas drive system in order that the intensive electric van trials already begun among US public utilities with more than 30 CFs can continue.

Even if the CF had survived, it was almost inevitable that North America would become the main ground for determining whether there really is a commercially viable future for electric vehicles in the absence of a quantum leap in oil prices.

Nowhere else is there a single, homogeneous market (in legislative terms) even remotely approaching the US market's size.

GM's own research into EV market potential has concluded that there are some 3.5m petrol or diesel vans and other light commercials in use in the US which could sensibly be switched to electronic equivalents if there were no significant cost disadvantages—and cost disadvantages are closely linked with economies of scale.

The absence of exhaust emissions and noise pollution, potentially longer life and greater reliability were all seen as plus factors for the EV. The negatives were focused mainly on range, performance and the need for overnight recharging.

Target vehicles are primarily those used on urban delivery work, perhaps following fixed routes of about 50 miles a day—and which return to base as a matter of course each night, when an electric version could be recharged.

The focus is also on commercials because, like virtually every other vehicle maker worldwide, GM has concluded that it will take an oil shock or battery technology breakthrough of unprecedented proportions for an electric car to become viable because of its current range, performance and cost disadvantages.

The Griffon project is being caried forward under a multi-party agreement, to which the signatories were GM, the Electric Power Research Institute representing some 600 US utilities and government agencies, the US government—aided Electric Vehicle Development Corporation and Lucas Chloride EV Systems.

It provided for the recruitment of Cars and Concepts, a US designer and producer of specialty vehicles, to re-engineer the Griffon to accept the electric drive system in collaboration with Lucas Chloride EV systems. C and C would then define prodnction plans and draw up a pricing structure.

The work is virtually completed, with details of the next phase of the project expected to be announced shortly.

Since the work began, there has been a change to the structure of the grouping involving the withdrawal of Lucas Industries from the British joint company. This occurred in March and has led to Chloride taking over completely.

The break-up was perfectly amicable, however. Lucas' action was very much in line with its gradual disentanglement from automotive activities in favour of more proftable areas such as aerospace. And the timing was appropriate in that the joint company had just arrived at the end of the £10m, five-year development programme for which it had been set up in 1981 (the UK government contributed £5m).

It was logical for Chloride to assume full responsibility for the programme because with the drive system itself basically developed, the main attention is about to turn to the batteries providing the power—more specifically to the advanced sodium sulphur battery which Chloride has developed with help from the UK's Electricity Council and Government, and which now appears set for commercial production at the start of the 1990s.

Indeed, the Griffon project was devised well after Chloride had established a toehold for sodium sulphur technology in the US via two contracts—worth a total of $16m—with EPRI and federal agencies for standby power storage facilities.

The sodium sulphur battery has the disadvantage of having to operate at 350 deg. C but the advantage of being about the same size as a torch battery, and thus lending itself to very flexible packaging.

Its energy density is four or five times greater than state-of-the-art conventional lead acid types, holding out the prospect of 60 miles per hour vans with a 150-mile range if carrying a one-tonne payload.

Mr Jim Bradbury, general manager of the Chloride division directing the EV project, remains optimistic about the future of even "ordinary" lead acid-batteried vans—the form in which the Griffon units will first appear next year, although with a new controller system and improved battery pack.

It is Chloride's contention that the electric van is already cost-competitive with a petrol or diesel van on a "whole-life" basis, that is, when factors are considered such as the battery pack being treated as a fuel cost, longer life expectancy for the van through reduced vibration and simplified maintenance.

The question is, would a sodium sulphur-battery van tilt the balance firmly away from "conventional" vans for all but long-distance operators?

Some preliminary answers should become known fairly soon—for a CF "test-bed" fitted with a sodium sulphur battery pack is just starting its trials on UK roads.

John Griffiths

Problems at Bedford have stirred UK market, says **John Griffiths**

Passing through turbulence

THE UK light commercial vehicle industry is passing through one of the most turbulent periods in its history.

At the beginning of July, General Motors' Bedford subsidiary was threatening total closure of its panel van-making operations at Luton. This followed the rejection by the majority of its 1,800 workforce of a strike-free agreement involving radical changes in working practices. Further negotiations last week, however, brought a grudging acceptance of revised terms.

The agreement was a pre-condition for the sale of the plant to a new joint venture company in which Isuzu, GM's Japanese associate, would have a 40 per cent stake.

Isuzu, Japan's seventh-largest vehicle maker with an output of about 600,000 units a year, would then be expected to take responsibility for the design and development of future Bedford products. (This would exclude, however, Bedford's car-derived vans. These are produced separately on Vauxhall's car lines at Ellesmere Port.)

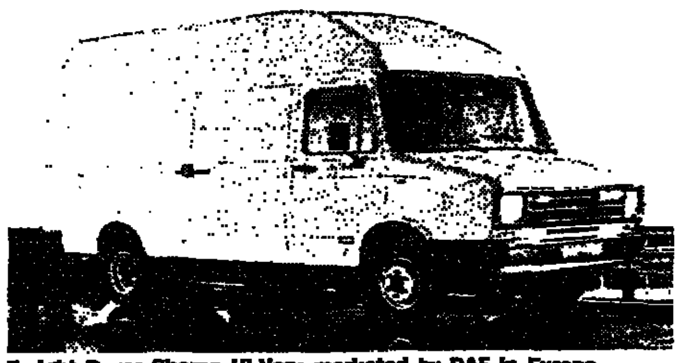
For Isuzu to fulfil this role, in reality, would do little more than expand upon what had already been happening. For with the demise at the end of last month of the 20-year-old Bedford CF medium van, production at Luton had become confined to Japanese-based designs. Bedford's Midi one-tonne panel van is Isuzu-based, while its Rascal microvan is based on a Suzuki model.

Bedford had insisted to its work- force that even the production economies offered by these models had been unable to prevent Bedford's losses rising to £½m a week, and that the joint venture company and no-strike agreement was the only alternative to closure.

Acceptance by the unions allows to proceed a strategy under which Bedford's output from Luton would double from the 1986 level, to 40,000, by about 1990.

Yet even this production level, if achieved, would leave an Isuzu/Bedford company as a second-rank producer inside a European industry where economies of scale remain important, and where Ford produces 100,000 a year of just one range—the Transit—and Volkswagen about the same number.

There remains no shortage of rivals eager to fill the considerable vacuum that would have been created by Bedford carrying out a closure threat. Bedford sold 11,635 Midis and CFs last year. And although this was down from the 13,510 of the previous year, still represented 9.6 per cent of the UK market for panel vans of between 1,800 and 3,500 kilograms.



Freight Rover Sherpa Hi-Van: marketed by DAF in Europe

In the sector for smaller vans, neary 80 per cent of Bedford's sales were accounted for last year by the car-based Astra and Astramax, vans which remain unaffected by Luton's problems. However, Bedford still sold nearly 5,000 Rascals in the seven months it was on sale following its launch last year, and a further 2,880 in the first five months of the current year.

The only direct competitors for the Rascal are other Japanese imports. However, both Freight Rover and Ford, the UK's only other van producers, would have expected to pick up the lion's share in the medium vans sector.

But it has been only a little less traumatic year for Freight Rover which, until February was the panel van-producing subsidiary of UK State-owned Rover Group.

Now it is within the control of the Dutch truck maker DAF, under the deal in which Leyland Vehicles was handed over to a purportedly joint venture company, Leyland DAF, but in which DAF has a 60 per cent stake and full management control.

For Freight Rover, nevertheless, the plusses appear to well outweight the minuses. For whereas rationalisation of Leyland's and DAF's partially conflicting truck ranges is bound to produce casualties, DAF had been entirely absent from the vans sector until last year when it signed an agreement to distribute Freight Rover's Sherpa vans and the Roadrunner, Leyland's medium truck, through its 550-strong dealer network on the Continent. All carry DAF badges.

Lyland DAF hopes to be selling at least 4,000 Sherpas and 2,000 Roadrunners a year outside the UK by 1989, according to Mr Cor Baan, DAF's director of sales and marketing.

Not least, however, the deal provides for a Sherpa successor to be developed — a concern which had been looming increasingly large for Freight Rover, since the Sherpa's origins stretch back nearly as far as Bedford's CF.

While Ford's Transit van operations remain one of Europe's success stories, it has not been immune from sweeping change in the light trucks sector. Its Cargo model, which dominates the important 7.5 tonnes sector in the UK, is now produced by Iveco Ford, the joint company formed with Iveco of Italy last year but which essentially is under Iveco control.

Already, a number of improvements to the range have been announced, and Iveco Ford hopes to build further on the 40 per cent share of the 7.5 tonne sector it already holds.

The sector is an extremely important one in the UK, accounting for about one quarter of all truck sales, because it is the biggest truck that can be driven without a heavy goods vehicle licence.

These changes have been taking place during a period in which the recovery of the UK light commercials market since its nadir in 1981 has lost some of its momentum.

Statistics from the Society of Motor Manufacturers and Traders show that sales of medium vans actually fell back slightly last year, to 121,615 from 122,805.

Upward momentum was retained in the light vans sector, however, which has been receiving a stimulus from diesel van sales. Last year they just failed to break through the 100,000 level, at 99,260, representing a nearly 6 per cent increase on 1985.

In the first five months of this year, medium van sales edged upwards again, however, the 57,515 sales representing a 6.4 per cent increase on the year-ago period.

Ford continues to dominate the medium and van sectors in the same way that Iveco Ford's Cargo dominates the 7.5 tonne truck market. While Transit sales fell back slightly last year, owing to the changeover to the new model, its just under 40,000 sales contributed to a 34 per cent market share for Ford.

That left Freight Rover trailing far behind in second place, with 13.5 per cent. Bedford was an even more distant third, with 10.4 per cent.

Ford was also market leader in the light vans sector, with 28.4 per cent. But it was much more closely followed by Bedford, in second place, with 25.5 per cent.

Despite the launch of the "world first" Prima direct-injection diesel engine, developed in collaboration with Perkins, in its Maestro van range, Austin Rover saw unit sales in the sector fall back slightly, and its share reduced to 20.1 per cent.

The first five months of this year have seen Ford strengthen its position in all three sectors, as the uncertainties around Bedford have increased and Austin Rover has felt the twin impacts of publicity surrounding Rover Group's heavy losses and an anti-incentives policy by the group even if at the expense of market share.

Prospects for further growth in the light commercials sector look reasonably good in only one sector, according to analysts DRI Europe. It forecasts that medium van sales this year will end about 5 per cent higher than in 1986, although it expects the light vans sector to stabilise at about the 100,000 mark. That for trucks up to 7.5 tonnes will remain static at about 20,000 units, it predicts.

The share of the market taken by imports has fallen back so far this year after considerable gains were made in 1986. They accounted for 46.1 per cent of medium van sales last year, compared with 42.9 per cent in 1985.

By far the biggest increase was achieved by Nissan, which nearly doubled its sales to 8,195 from 4,385, partly as a result of the availability of quota-free supplies from its Motor Iberica plant in Spain.

THE US

Cloud behind record sales

THE middle class's love affair with rugged country lifestyles continues to push US utility and van sales to new records.

This year, as in the past four years, pick-up trucks, sports utilities and mini-vaans will consti-tute the fastest-growing major sector of the US vehicle market. But in the future, it may be a sector where profits and success are not quite as easy to come by.

Despite the enormous potential of this market, as about half a million Americans a year transfer their allegiance for traditional passenger cars to vans and light trucks, US manufacturers today face two familiar difficulties: a general satiation of demand for motor vehicles and more intense Japanese competition.

Recent sales statistics illustrate the first problem. After racing ahead from 1980 to 1985 at a rate 13.5 per cent annually, sales of light-duty trucks and vans increased by only 4.6 per cent, last year to 4.6m. In the first five months of 1987, the rate of increase decelerated further, with total sales of 1.89m, a gain of only 1.3 per cent compared with the January to May period of 1986.

The key to the slowdown has been the general softening of the US auto market rather than any specific weakening in truck and van demand itself.

In terms of market share, light trucks and vans have continued to out-perform all other types of vehicles. In the first five months of 1987, the ratio of light truck to car sales increased to 0.45 from 0.4 the year before.

But the unstable interest rates, declining consumer confidence and saturation of demand which have resulted in a 10 per cent fall in new car registrations so far this year, inevitably taking their toll in the van and light truck market as well.

For 1987 as a whole sales of all vehicles, including cars, vans and light and heavy trucks, are now forecast by Mr Chuck Brady of Oppenheimer & Company, to decline by about 700,000 or 4 per cent.

If the current softening of the car market should turn into an outright recession, the van and truck business could be particularly hard hit. Market research shows that 67 per cent of vans and light trucks are bought primarily for personal use, rather than business. But only 11 per cent of families use them as their main vehicles.

Thus if economic hard times were to set in, van and truck sales could suffer disproportionately.

In pick-ups, the biggest component of the light truck and van market, both GM and Chrysler have set their sights on the comfortable, high-performance passenger models which Ford and the Japanese importers had long regarded as their preserve.

With this year's introduction of the Chrysler Dakota, GMC Sierra and the Chevrolet C/K, all the major US manufacturers now have versatile, modern passenger pick-up models with such features as anti-lock braking and independent front and rear suspensions, have not yet reversed the steady decline in the company's pick-up sales.

Meanwhile Toyota, the leading truck importer, with sales of 385,000 units last year, has suffered a 17 per cent setback, leaving substantial gains for Ford, Chrysler and American Motors.

In mini-vans, it is Chrysler which bears the brunt of new competition. With the path-breaking front-wheel drive Dodge Caravan and Plymouth Voyager, Chrysler virtually invented the idea of marketing mini-vans to the traditional customers for family station wagons. It still dominates this market, with 225,000 Voyager and Caravan sales in 1986, against 150,000 for Ford's Aerostar and 148,000 for Chevrolet's Astro.

However, the increases compared with 1985 sales levels tell a different story. Ford Aerostar sales in 1986 jumped 500 per cent and Chevrolet Astro sales were up 45 per cent, while Chrysler managed to sell only 3 per cent more mini-vans than the year before.

Chrysler's biggest problem last year lay in production constraints. This year it is trying to regain the initiative with more production capacity and a new expanded wheelbase model. Dealer figures for May, which show a 30 per cent jump in Chrysler van sales, suggest the strategy may be succeeding. But a powerful counter-attack from Ford and GM, both of whose current mini-vans are based on obsolescent rear-wheel drive technology despite their space age styling, is only a matter of time.

Meanwhile, the Japanese are aiming at the same market from another direction with their compact seven-seater family station wagons like the Mitsubishi Vista and Nissan Stanza.

In the compact utility market, it is American Motors' Jeep marque, recently acquired by Chrysler, that dominates the field, but also seems to be most exposed.

Anatole Kaletsky

Spain

Moving forward towards profit

BY CHANGING the name of its Spanish subsidiary from Motor Iberica to Nissan Motor Iberica in June, the Japanese company has succinctly ended speculation about its future commitment to the troubled commercial vehicle concern.

Ever since Nissan bought Massey Ferguson's 36 per cent share of the troubled Barcelona-based company in 1980, and raised it to more than 90 per cent as losses mounted, questions have been raised about how long Nissan would be prepared to put up with this situation. Seven years later and Nissan has put its name where its money is.

Mr Juan Echeverria, Nissan Motor Iberica's chairman, confidently told shareholders at the annual meeting in June that this year's cash flow would be positive to the tune of some Pta 6.5bn, after a negative performance of Pta 2bn in 1986. Losses last year were Pta 8.5bn ($65m), down 21 per cent.

Mr Echeverria said that were the economic year to be closed in June the company would register a net profit of Pta 400m.

Nissan's domestic sales of its Trade and Vanette vans rose 68.3 per cent in the first quarter to 4,875 units, while sales by its competitors Enasa, the state-owned group, and Mercedes Benz Espana, the subsidiary of Daimler Benz, rose 9.3 per cent and 0.8 per cent respectively, according to the Spanish vehicle manufacturers association ANFAC.

Nissan's market share rose 11 percentage points to 68.4 per cent at the end of March. Exports were up 15 per cent at 1,825 units. In light trucks, Nissan's sales rose 74.1 per cent to 2,115 units or 81 per cent of the total and exports almost doubled to 126 units.

Nissan has extended the range of its Vanette vehicles with three variants: the Furgon, Combi 5 and Combi 8 as well as a fully-equipped coach model. In the medium range of trucks, Nissan has added parabolic suspension to its M-100 and M-125 models and has entered the 13-14 tonne market with its M-130 in its Ebro range.

Having failed to find a foreign buyer, the lossmaking Enasa is now well launched on its path of going it alone. International Harvester withdrew in 1983 and government efforts to bring in General Motors of the US, Toyota of Japan or Renault of France came to nothing.

Enasa, manufacturer of the Pegaso line is concentrating on the heavier end of the truck market in its bid to return to the black by 1990. The company launched a heavy truck range in May which represents an investment of about $108m, with some $80m shared with DAF trucks of the Netherlands for a new cab suitable for vehicles of upwards of 20 tonnes gross weight.

Enasa aims to launch the range in other continental European markets by the end of the year, including Britain, where Enasa acquired the heavy truck maker Seddon Atkinson in 1985 from International Harvester.

Like Nissan, Mercedes Benz, Espana is managing to reduce its losses which were cut to Pta 3.6bn in 1986 from Pta 4.1bn in 1985. Its Pta 11bn investment in modernising and expanding its plant at Vitoria is now completed and executives say they cannot keep up with demand.

William Chislett

Japan

Yen rise hits exports

AFTER HITTING a record 3.4m units in 1985, a sharp setback in exports has sent Japan's output of light vans tumbling. Production slipped by 10 per cent last year and first-quarter returns indicate a further 4 per cent slide this year.

With exports now struggling to reach one half of 1985 levels, manufacturers are relying heavily on growth in the home market—now also faltering—to maintain output.

The spiralling yen and a surge in overseas build programmes suggest that Japan's exports of light vans are unlikely again to hit the 1m mark while total output looks set to recede below 3m by next year.

Throughout last year a combination of new models and intensive marketing pushed demand for microvans in Japan to record levels. These tiny vehicles enjoy valuable tax and insurance concessions and they are proving particularly popular with a growing band of women drivers.

Several versions have been prepared with uprated engines. 4wd and a leisure vehicle layout to appeal to private buyers. At the heavier end of the market increased spending on public works and a construction boom triggered by lower interest rates has stimulated demand for trucks.

Of Japan's major suppliers only Nissan and Isuzu failed to lift their commercial vehicle sales on the domestic market last year. The greatest gains were recorded by suppliers of microvans such as Daihatsu and Honda.

Product changes brought additional sales for Daihatsu with 4wd, diesel and turbo charged options being offered along with a full model change for 550cc Hijet pickups and panel vans last year.

Honda's K-van (Today) has brought further gains in domestic sales but despite the launch of new pickups and a facelift for Urvan and Cabstar, Nissan is continuing to lose ground. Plunging exports pushed commercial vehicle output down by 25 per cent last year and the company has slipped back from number two to fourth position in Japan's production league.

For leading truck producer Toyota, output in 1986 fell back below the 1m mark as improved domestic sales failed to offset a reversal overseas. The company reported further setbacks over the first quarter of 1987 following a reduction in export orders from the US, Australia and China.

Toyota's Hiace, Liteace and Townace models have stimulated domestic sales along with the Hilux 4wd. A full model change for the cab-over Liteace and Townace range was announced last October and a Hiace 4wd model has joined the line-up.

Despite setbacks on the export market, Mitsubishi's output climbed by 3 per cent last year and progress both in Japan and overseas has brought additional gains in the first quarter of 1987. The company has recently been strengthening its product range with the introduction of Japan's first 4wd tractor unit in the 2 ton light truck class.

Previously, the use of tractor/trailer units was confined to long distance haulage work. The new Mitsubishi tractor, however, developed from the 4wd Canter light truck, is aimed at short-haul transport involving limited loads. First examples were tailored to the needs of poultry farmers, many operating in relatively mountainous areas in Japan.

Mazda lifted production for both home and overseas markets last year but there have been reversals on both fronts in 1987. For 1987 the company introduced two new versions of its Bongo (E-series) van with larger engines.

In contrast to the pattern of demand on Japan's domestic market, export growth since 1983 has been derived from the medium and heavy truck sectors. Surviving overseas customers for microvans are largely restricted to the UK and Australia with other export markets showing a clear preference for the car-derived alternative.

Last year the only overseas market in which Japan succeeded in increasing its commercial vehicle sales was North America. Exports to the region rose by 18 per cent to account for almost 60 per cent of Japan's shipments for the year. Recently, however, complaints have been lodged with the US Commerce Department over alleged dumping of Japanese 1-ton payload trucks in the US.

The basis for the allegations stems from Japan's failure to raise prices for the vehicles in line with the rise in the yen. Total US sales of pickups in 1986 amounted to 1.43m units of which 750,000 units were imported from Japan.

Exports of Japanese pickups to the US market are exempted from the formal limits on shipments of passenger cars but they are subject to a 25 per cent import duty.

Gains on the US market last year were more than offset by substantial setbacks in demand from the Middle East, China and Australia. Exports to Europe were 10 per cent down at just over 240,000 units and this pattern has broadly continued into 1987.

Only Mitsubishi is showing notable gains overseas with first quarter shipments up by 25 per cent. This can be traced to first exports of its new FE light duty truck to the US market. Toyota has been doing a good trade in pickups to Iran.

The major overseas base for assembly of Japanese commercial vehicles, in kit form, remains South Korea. New ventures boosted exports of kits to Indonesia in 1986 but in China dwindling reserves have put the brakes on several projects. In total, exports of commercial vehicle sets climbed by 25 per cent last year to over 350,000 units.

With its links in South Korea and India and a foot in the giant Ford camp, Mazda remains Japan's leading exporter of commercial vehicle sets for overseas assembly.

This year mini-van production is being added at Mazda's Michigan plant in the US and discussions are under way with the Austrian specialist vehicle producer Steyr-Daimler-Puch which could result in a European assembly base.

Ian Robertson

Japan's light van sector

('000s)
(Up to 2 tons loading capacity)

	1985	1986	*1987	% change 1985-86	% change 1986-87
Midget vans (up to 500cc):					
Domestic sales	1,368	1,476	1,506	7.9	2
Exports	11	5	2	−54.6	−60
Production	1,389	1,501	1,508	8.1	0.5
Other light vans:					
Domestic sales	945	955	970	1.1	1.6
Exports	1,030	773	580	−25	−25
Production	1,995	1,560	1,550	−21.8	−0.6
Total light vans:					
Domestic sales	2,313	2,431	2,476	5.1	1.9
Exports	1,041	778	582	−25.3	−25.2
Production	3,384	3,061	3,058	−9.5	−0.1

*Forecast

Source: International Motor Business

France

Battle between rivals

THE MARKET for vans and light trucks has been one of the most competitive and buoyant sectors of French vehicle sales during the last few years.

The state-owned Renault group and its domestic rival the private Peugeot group, which embraces the Peugeot and Citroen marques, have been battling increasingly fiercely to increase their market share of this sector not only against each other but also against foreign importers such as Fiat which has been seeking to make inroads in this attractive part of the market.

The market for light vans has long been propped up in France by its significantly more favourable Value Added Tax rate. VAT for light vans and small commercial vehicles, including hybrids of regular passenger car models, is only 18.7 per cent in France compared to the whopping 33 per cent VAT for passenger cars.

Indeed, the high level of VAT on cars has been a regular bete noire of the French car manufacturers who call repeatedly on the Government for a more favourable fiscal regime to encourage and stimulate domestic car sales and the country's car industry as a whole.

The light trucks and vans sector increased by 14.4 per cent last year with 347,975 new registrations. Renault had 42.8 per cent of the market with Peugeot, which has been steadily challenging Renault's traditionally dominant position, gaining a 35.8 per cent share.

During the first five months of this year, the market has continued to increase by 2.4 per cent over the same period last year. At the end of May, registrations totalled 157,160 with Renault seeing its market share slip a little to 41.4 per cent and the Peugeot group advancing to 37.1 per cent.

Renault is currently still in the throes of a sweeping restructuring programme designed to bring the troubled state group back into the black. After record losses during the last few years, Renault is now expected to report a profit of up to FFr 1bn this year, although the company is still burdened by a huge debt load totalling about FFr 54bn.

The decline in the state group's market share of the vans and light truck market has been less pronounced than for passenger cars, with market share falling from 48.2 per cent six years go to the current level of 41.4 per cent.

The range still includes the now elderly Renault 4 van, the new Express van, utility car versions of the R5 mini, of the R11 medium saloon and of the new R21 saloon and station wagon, as well as the Trafic and Masters light truck range.

The Espace, the highly successful people carrier jointly manufactured by Renault and the French nationalised Matra group, continues to command strong demand in France. Indeed, the Espace has turned out to be one of the biggest recent successes of the French car industry, even though the vehicle's novel concept provoked a number of initial doubts over its commercial performance.

While Renault has held on to the number one position in the van and light truck market in France, it has seen its domination of this sector eroded by the aggressive approach of the Peugeot group to this market in recent years.

Peugeot and Citroen have had major commercial successes with the utility version of the Peugeot 205 supermini and the Citroen C 15 van. The Citroen BX Enterprise utility version of the BX has also helped the Peugeot group to make inroads into Renault's long standing domination of this market in France.

Moreover, the last months have also confirmed the strong recovery of the private French car group. After heavy losses and being on the brink of financial disaster only a few years ago, Peugeot has bounced back into profit and recently reported a strong advance in consolidated net earnings to FFr 3.6bn last year.

Paul Betts

Western Europe's small van market

	1983	1984	1985	1986	1987 1st qtr
Total sales (000's)	435.1	418.8	496.6	467.4	155.5
	Market shares %				
Renault	33.3	30.1	23.3	31.9	32.5
Peugeot-Citroen-Talbot	17.2	16.2	24.7	22.5	23.7
Japanese	10.8	11.4	13.3	11.5	10.4
Ford	7.7	9.3	9.6	7.8	9.5
General Motors	4.9	6.5	6.6	7.4	7.4
VW-Seat	4.0	3.8	4.2	4.1	6.7
Fiat	10.1	11.1	9.1	7.2	5.9
Rover	6.1	4.7	4.5	3.7	3.0

Industry sources

Germany

Deals with the Japanese

"WE DO NOT see ourselves as a door-opener for the Japanese," said Mr Carl Hahn, the chairman of Volkswagen. He had been asked at the annual shareholders' meeting—mostly given over to the currency fraud suffered by the group—whether the recent small truck deal with Toyota was not harmful to the European industry.

The West German agreement with Toyota, under which it will build pick-up trucks at its under-utilised Hanover plant, is the latest example of a growing trend to international partnerships in both the car and commercial vehicle sectors.

Daimler-Benz plans to build small trucks in Spain next year under a partnership venture with Mitsubishi, while Ford-Werke (part of Ford Motor of the US) is selling vans made for it by Mazda of Japan.

For VW, the agreement with the Japanese will complement its existing range by giving it a model between the Yugoslavian-built Caddy (a truck version of the Golf) at the lower end and its 2-tonne Transporter. It will also secure at least 300 jobs in Hanover, now employing about 18,000 people.

The plant is now running at only 70 per cent of capacity. Mr Hahn said before the annual meeting: "You can live with it, but we would love to live a little more comfortably."

Once the joint operation is in full swing from 1990, VW will be producing 15,000 Toyota designed one-tonne Hi Lux trucks a year at Hanover. At first, engines, gears, brakes and axles will come from Japan, but VW aims to keep local content high, perhaps later exceeding 70 per cent.

Though not the first deal between the German motor industry and Japan—VW also makes cars there in a venture with Nissan—it is first aimed at production of a Japanese product on German soil. So while the output will be tiny by the standards of VW and Toyota, it is of political as well as economic significance for Europe.

Increasingly, German companies are finding that it pays to link up with the Japanese for specific products. By teaming up with Toyota on the Hi Lux, which VW will sell under its own name, the German company will be saving itself the considerable cost of developing a new vehicle of its own.

VW's efforts in small trucks come after a period of strong development in the sector.

Since the first half of the 1970s, new registrations in Germany of trucks under two tonnes have more than trebled. Last year, they rose by 18 per cent to 14,500 vehicles, with a gentler 5.4 per cent rise to 63,400 in the two to six-tonne range.

In the smaller size vehicles, Bayerische Hypotheken-und Wechsel-Bank (Hypo Bank) says in a recent study: "A market segment has been established for which demand is likely to develop relatively well in the next few years." The range of vehicles, mainly delivery vans developed from cars like VW's Golf or the Ford Escort, has been widened considerably.

With more German and Japanese vehicles available, Italian and French companies have lost ground. VW has the dominant share of the German market below two tonnes, with about 30 per cent. In the whole market up to six tonnes, its share is marginally above 40 per cent.

German makes, the bank adds, played only a minor role at the small end of the market until recently. They now account for nearly half of the new registrations.

Because the van market is linked to basic car design, production costs can be kept fairly low. Manufacturers can be expected to offer a greater variety of carrying space in future, with the appeal of such vehicles also spreading to non-commercial owners for leisure use.

For its output of the Toyota model, VW hopes to attract both types of buyer. It is investing nearly DM100m in re-equipping Hanover.

Daimler is considering whether to put its Spanish-built vans in the one to two-tonne range on the German, French and Italian markets. These have front-wheel drive. Its co-operation with Mitsubishi on a small truck below one tonne is expected to result in a new vehicle being launched on the market in the second half of 1988.

In Germany, Daimler has concentrated light truck output at its Dusseldorf factory, with Bremen now producing cars. In the two to six-tonne range, the group has a share of about 19 per cent against 42 per cent for VW, 12.5 per cent for Ford, nearly 10 per cent for Italy's Fiat and just under 14 per cent for the Japanese.

Andrew Fisher

The re-designed Transit has even more appeal for drivers, says **Alan Bunting**

Ergonomics the key behind styling

Ford Transit: non-aggressive styling and conventional drive

IT HAS TAKEN less than 18 months for Ford's redesigned Transit range to overtake the 40 per cent-plus UK market share of its predecessor, in the face of inevitable major disruptions to production flow at the Southampton plant.

The new Transit is now firmly entrenched in the number one spot, in both its key market sectors of 3.5 tonnes gross and the lighter nominal 1 tonne payload category.

How Ford must wish that its demonstrable ability to anticipate van and light truck buyers' preferences so accurately could have been applied in its car business when the Cortina was replaced by the Sierra.

Drivers have taken to the new Transit like ducks to water. The chunky styling of the old model was liked by many younger drivers for its macho image. But its successor—whose aerodynamic non-aggressive styling could be related to the "jellymould" Sierra—has won them over for quite different reasons.

Ergonomics is the key. The latest Fords are easier to drive, the multi-drop driver can get in and out more easily, and they score high marks on comfort.

Improved springing, especially the adoption of independent front suspension on short-wheelbase LCX models, has improved ride and handling. And the large window areas, particularly in the cab doors with their swept-down sills, give an excellent field of view in urban streets where hazards come thick and fast.

Ford's adherence to conventional rear-wheel drive has kept down the investment needed to update the Transit, which shares the chassis/floor pan and powertrain of its predecessor. Rivals like the up-to-3.5 tonne Franco-Italian van range sold under Talbot, Fiat and now Citroen banners and Renault's Trafic and Master models, now look dated after five or six years in production.

But the comparative refinement of their driveline and chassis, developed from scratch in the late 1970s, at what was then state-of-the-art technology, give them an edge over British vans like the Transit, Sherpa and Bedford CF, whose basic engineering can be traced back to the 1960s.

Front-wheel-drive ought, in theory, to make a fully-laden van hard work to drive; those continental fwd vans are however no more demanding in handling effort than their British fwd competitors.

Power-steering is, perhaps surprisingly, a rare option on vans or trucks below 7.5 tonnes gross. Tight-lock manoeuvring in ever-more congested urban streets, where vans and other distribution vehicles make their deliveries, arguably calls for reductions in steering effort, in the light of buyers' expectations in the late 1980s.

At a time when power-steering is standard on many passenger cars and an option on others, down to Escort or Golf size, the same refinement in a delivery vehicle with three or four times the loading on the steered wheels, can no longer be thought of as a luxury.

Any regular car driver who in the past few years has rented a van of, say, 3.5 tonnes total weight (able to carry a load of 1.5 tonnes or more), perhaps to move some furniture, is likely to have been impressed with the level of cab appointments, with seat comfort, with the layout of controls and, in most cases, with the vehicle's relative quietness.

Conscious or subliminal comparisons with one's regular mode of transport—typically a family saloon—tend to highlight those negative "commercial vehicle" qualities, like the heavy and/or low-geared steering. If the car driver who steps into a 3.5 tonne van, or its chassis-cab equivalent, is used to two-pedal control, he will quite reasonably wonder why automatic transmission is so rarely to be found as a listed option in light commercials.

After all, multi-drop delivery work in heavy traffic, where clutch, gearbox and the driver's physical and mental powers are all subjected to heavy wear and tear, is a "natural" application for an automatic.

In the 1960s big fleet operators such as Ranks Hovis McDougall specified two-pedal control in hundreds of bread delivery vans. The saving in workshop costs, through reduced clutch relining and gearbox repair bills, was considerable.

Unfortunately, particularly from the driver's point of view, the extra cost of an automatic gearbox in a van is not reflected in the vehicle's resale value after four or five years. The automatic can even depress the second hand value, because of suspicions—justified or not—that a sensitive torque converter transmission is likely to have suffered an unreasonable hammering during commercial vehicle operation.

At higher vehicle weights, though nevertheless in the distribution sector, up to the 7.5 tonne threshold above which drivers must hold a heavy goods licence, manufacturers are now paying more attention to the need for steering and gearchanging to be made easier.

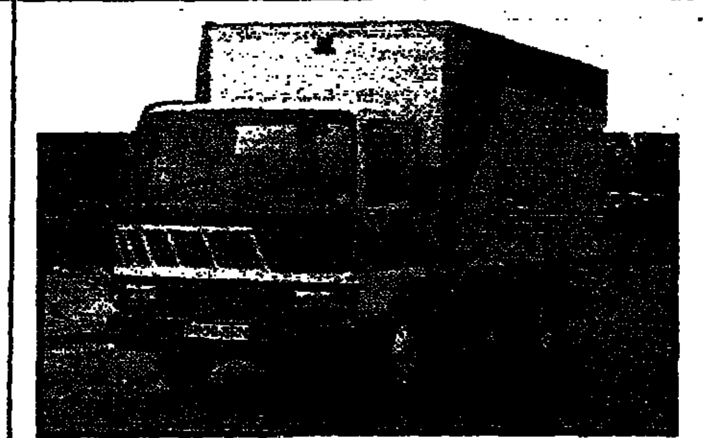
Power-steering, in the last two or three years, has become standard on all but the most basic 7.5-tonners. Continental manufacturers led the way, with UK-based makers—who continue to dominate the HGV-threshold market—following suit.

Regrettably, automatic transmission as a sensibly-priced option appears as far away as ever. Only Mercedes-Benz offers two-pedal control, at an extra cost of more than £1,500, on its four-cylinder turbo-engined 811D—a bonneted vehicle with exceptionally easy step-in cab access aimed specifically at the urban delivery market.

Unfortunately, the development of a simpler, cheaper automatic transmission for 7.5-tonners, by an offshoot of Ratcliff, the tail-lift manufacturer, and based on the Hobbs gearbox patents of the 1950s, has been dropped through lack of interest by the chassis makers.

One passenger car development pioneered in Britain which is now finding successful commercial vehicle applications at progressively higher weights is the disc brake. Fiat-Iveco from Italy was the first 7.5 tonne chassis builder to fit discs. The last 12 months have seen Leyland, Volvo and Ford (now linked with Iveco) follow suit.

For the driver, the advent of discs means more stable braking with less risk of momentary pulling to left or right as the pedal is first pushed. Fade on long descents is also largely overcome and pedal feel is more progressive.



Leyland Roadrunner: disc brakes at the front

Design

Spin-off gains in technology

ENGINEERING spin-offs in vehicle design can move both up and down the weight range. Innovations which appear first on passenger cars often find their way into vans and trucks.

Disc brakes are a perfect example, though they took more than 25 years to transfer from the first production car to the *first full-size truck—which it is* reasonable to define as a chassis of 7.5 tonnes gross—one of the truck weights at which sales *polarise because of the drivers'* licence legislation covering heavy goods vehicles.

The main advantage of discs is resistance to fade (loss of efficiency) under prolonged pedal application, mainly on long downgrades. On trucks, their application has been delayed by the twin problem of dissipating the heat created in the brake and the limitations of brake pad life.

But two manufacturers, Lucas-Girling from Britain and Perrot from Germany, have undertaken intensive development work, making use of new (mainly asbestos-free) friction materials for the pads, and wider, ventilated "open sandwich" discs.

Four 7.5-tonners are now equipped with disc brakes. The Fiat-Iveco 79.14 and Leyland-Roadrunner have Perrot discs, while retaining drums at the rear to simplify the parking brake arrangement. Volvo's new 7.5 tonne market contender, the FL4, and Ford's lighter Cargo *models are equipped with Gir*ling discs front and rear.

All four manufacturers continue to use hydraulic brake actuation, though with air pressure assistance, as before. Disc brakes suitable for replacing drums on heavier trucks with so-called full-air brake systems have been developed in the US. But they lack the durability needed to cope with European conditions where road traffic density has increased the frequency of brake applications.

Conflicting advances in technology therefore arise for other truck makers, who have brought full-air brakes down-range—to 7.5 tonnes gross by Mercedes-Benz, for example. The company's popular 814 chassis broke new ground at its 1985 launch, featuring the acknowledged power and basic simplicity of full-air brakes as standard.

Up-range and down-range evolutionary design moves, bringing disc brakes and full-air systems respectively into the important 7.5 tonne *sector*, therefore, results in an as yet unresolved engineering clash.

Demands for better van and light truck fuel *economy, in the* interests of cutting operational costs, have resulted in a major growth in market share of diesel variants, *in vehicles* up to 3.5 tonnes gross where the petrol engine has traditionally been pre-eminent. The swing from petrol to diesel has accelerated as the result of another piece of "down-range" technical evolution.

New small diesels of 2 to 2.5 *litres capacity from Iveco,* Ford and Perkins feature direct-injection (di) systems in which the fuel is sprayed straight into *the main combustion space* above the piston rather than indirect systems, where it is conveyed via an antechamber in *which fuel burning is* more easily sustained at high rotational speeds.

There is less heat (and hence energy) loss in a di engine, so that its fuel consumption is improved, to the tune of, typically, 15 to 20 per cent.

By reducing the traditional governed speeds of small diesels and through intensive research on gasflow and *fuel-air* mixing in relation to combustion chamber and valve port shape, Iveco, Ford and Perkins have made the small engine di breakthrough.

In some conditions those di diesels can achieve up to twice the miles-per-gallon of their petrol-engine equivalents. The extra initial cost of the diesel can therefore be recouped more quickly through fuel savings, making the extra outlay worthwhile for lower-mileage operators.

Sales of the Transit in 2.5Di diesel form have played a big part in lifting Ford's market share since 1985, against com*petitors with less fuel-efficient* indirect-injection diesel engines.

Because a diesel option brings inevitable weight penalty—thereby reducing payload because all-up weight is limited legally according to its *design "plate"—many* buyers seek compensating weight reductions.

On short-wheelbase Sherpas from Freight Rover, such a weight-saver is already part of the specification. Sherpa 200-series vans and chassis have composite (laminated glass-fibre) leaf springs on both front and rear axles. They bring a 57 lb (26 kg) tare weight saving, which claws back over 60 per cent of the 90 lb (41 kg) weight penalty which comes with the Perkins 2-litre direct-injection diesel option.

Less-sophisticated but strong and flexible plastic materials are finding their way into a host of other light commercial vehicle applications, notably for peripheral cab panels vulnerable to corrosion and accident damage.

Tough plastic bumpers, access panels and wing valances are now commonplace on trucks and vans of 7.5 tonnes gross and below. They bring subsidiary benefits of unladen *weight reduction and ease of* replacement.

Alan Bunting